



# PETERLABS ALWAYS S.H.A.R.E

## 2019 ANNUAL REPORT

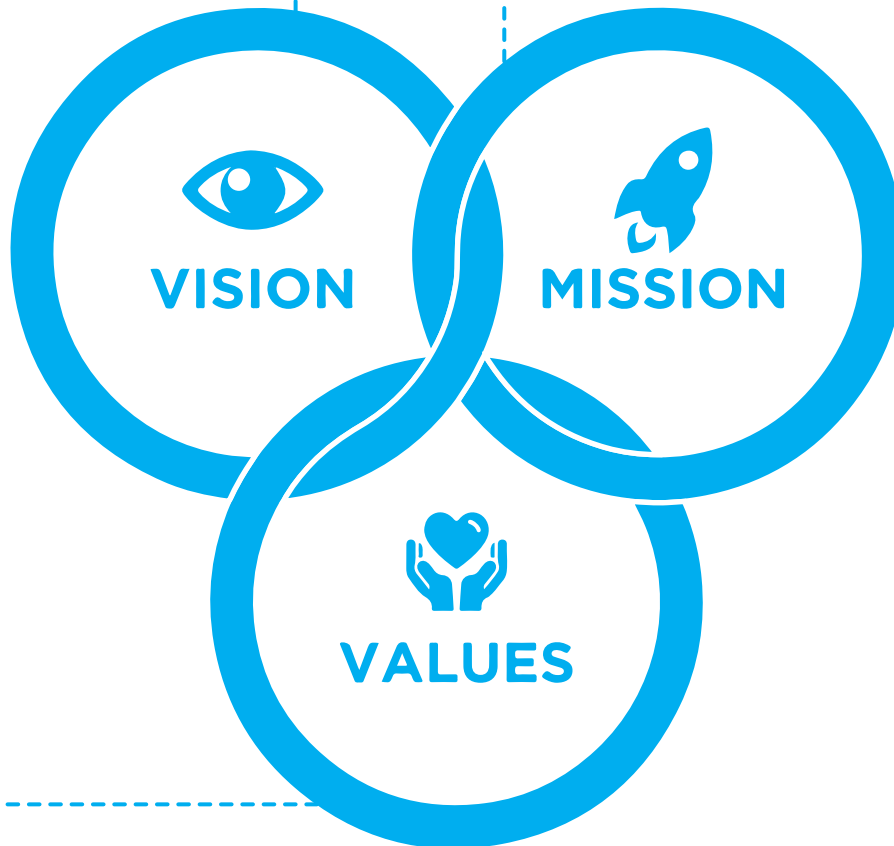


**PETERLABS  
HOLDINGS  
BERHAD**

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(909720-W)

- Customers are main priority
- Quality control at its best
- Safe and environmental friendly products

- Always strive to improve our products
- Always provide exceptionally good services to our customers by maintaining a personal relationship and dealing directly with the customers
- Always provide nutrition and veterinary pharmaceutical products to the satisfaction of our customers



***“PETERLABS ALWAYS SHARE...”***

### **Sustainability**

We recognise that sustainability has broad environmental, economic and social impacts, thus we are focusing our efforts on the long-term viability in building a business for today and tomorrow; working to minimize our impact on the environment; and securing a positive future for our Company, our people and the communities in which we live.

### **Honesty**

Our Company is committed to being honest and fair, and doing what is right for our associates and customers. Our Company conducts our business with adherence to the law. Our employees hold themselves to the highest standards of honesty, both internally and externally, when dealing with colleagues, clients or vendors.

### **Accountability**

The services provided by our Company are “customer-driven” and aim at providing convenience and various choices to our customers. We hope to improve the quality of our service at all time.

### **Responsibility**

We believe that our responsibility is to those who use our products and services. Everything we do is of high quality and benefits our customers.

### **Efficiency**

Our Company focuses on maximizing efficiency and producing the best solutions for our customers.

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# CORPORATE PROFILE

PeterLabs Holdings Berhad was incorporated under the Companies Act, 1965 (“Act”) on 28 July 2010 as a private limited company under the name of PeterLabs Holdings Sdn Bhd. The Company subsequently converted into a public limited company and assumed our present name on 29 October 2010 to facilitate our listing on the ACE Market and the Company was successfully listed on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 26 July 2011.

Our Group is one of the leading specialists in manufacturing, distribution, export and trading of animal health and nutrition products. Our Group products include animal feed additives, environment maintenance products, veterinary pharmaceuticals, biologicals, anthelmintic, antimicrobial, disinfectant, injectable products, mold inhibitor and toxin binder, multi-nutrient and supplement, complete feed premix, pre-probiotic / enzyme / acidifier, topical dressings, cleansing agents and OsmoFAT.

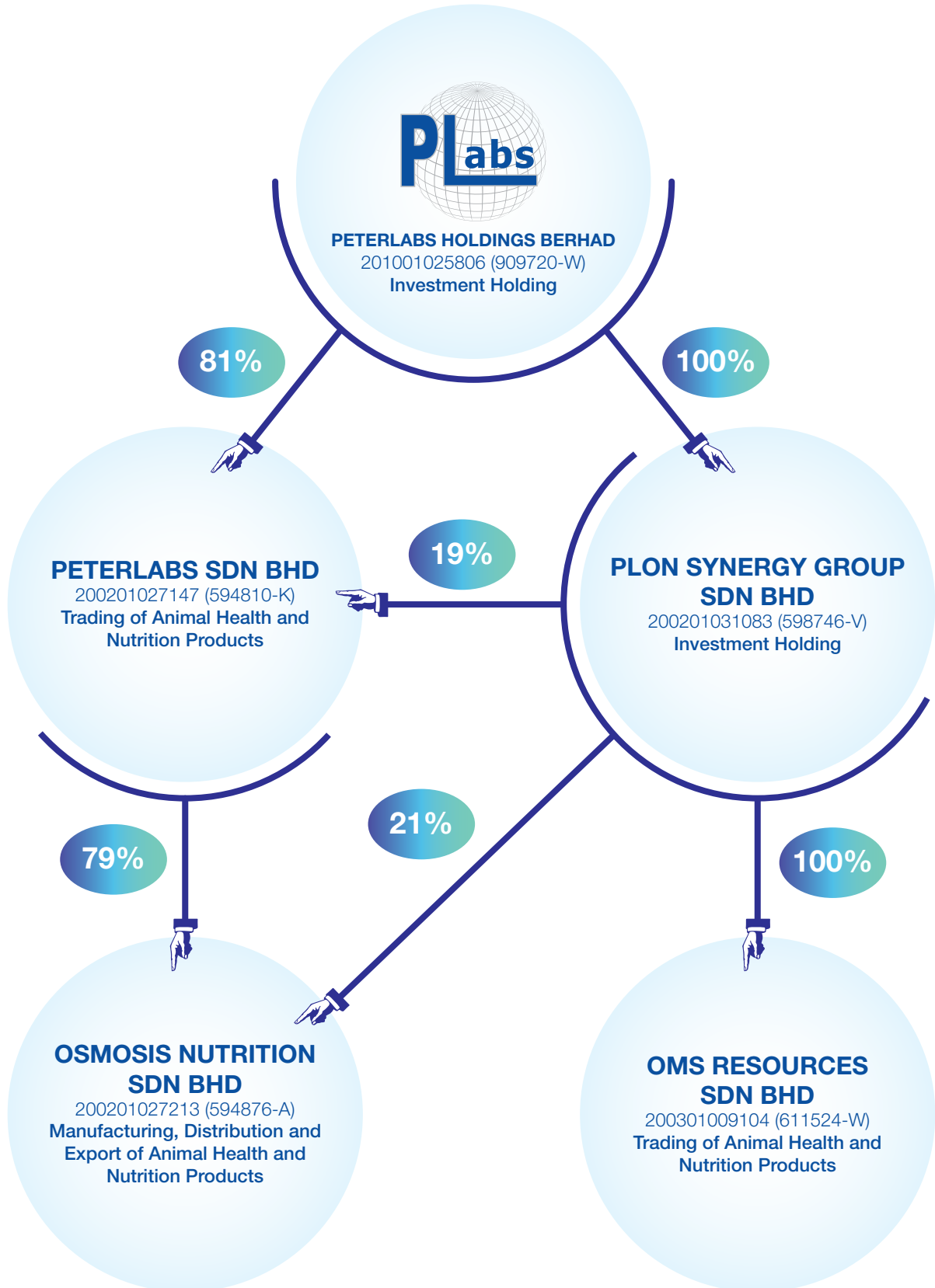
The Group’s manufacturing plant in Nilai, Negeri Sembilan has been commercialised in July 2011. The premises boast of 3 acres land area, which houses the corporate office, production facilities, warehouse facilities, quality control facilities, physio-chemical and microbiology laboratory. The plant in Nilai is Good Manufacturing Practice (“GMP”) compliant by National Pharmaceutical Regulatory Agency (“NPRA”) for our premises and manufacturing facilities. The Group will be able to provide assurance to customers that our products are manufactured in a hygienic manner and accordance to best practices in manufacturing.

In line with the expansion of our Group’s manufacturing capacity, the Group has ventured into mass production and toll manufacturing. In year 2015, the Group had expanded and set up another Fat Granular Spray Plant in Klang with an approximate build up area of 28,320 sq. ft. The manufacturing plant is targeted as a manufacturing and storage for our in-house brand “OsmoFAT”. The plant’s operation has been commercialised in July 2016 and achieved ISO22000, HACCP Food Safety Management System and GMP+ B2 in year 2018. In quarter four 2017, our Group’s subsidiary, Osmosis Nutrition Sdn Bhd had obtained Asia Halal Brand Awards 2017 – Regional Brands – Best Animal Nutrition Feed Product. Subsequently in early year of 2018, Financial Times and Statista awarded our Group FT1000 High-Growth Companies Asia-Pacific 2018.

In year 2019, our Group was awarded by World Confederation of Business – World Business Leader for being a successful leader who works in an innovative, knowledgeable and systematic manner. In the same year, our Managing Director, Mr. Lim Tong Seng was awarded by The Socrates Committee Oxford, UK being The Best Manager of the Year for high achievement and professionalism in the company management. Mr. Lim was also awarded as World Leader Businessperson by World Confederation of Business. Details of our Group’s achievements are set out in pages 5 to 6.

Our Group has years of experience to ensure the quality of product ingredients as well as packaging components. Products are produced in manufacturing processes governed by meticulous rules and industry standards. With the Company’s production facilities, our Group is able to produce variance of animal health products to cater livestock industry needs.

# CORPORATE STRUCTURE



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Hon Choon Kim**  
*Independent Non-Executive Chairman*

**Yap Siaw Peng**  
*Executive Director*

**Prof. Dr. Paul Cheng Chai Liou**  
*Senior Independent Non-Executive Director*

**Lau Yeng Khuan**  
*Executive Director*

**Lim Tong Seng**  
*Managing Director*

**Dr. Vijaya Raghavan a/l M P Nair**  
*Independent Non-Executive Director*

**Teo Chin Heng**  
*Executive Director*

**Azman bin Abdul Jalil**  
*Independent Non-Executive Director*

### AUDIT COMMITTEE

Prof. Dr. Paul Cheng Chai Liou (Chairman)  
Dato' Hon Choon Kim  
Encik Azman bin Abdul Jalil

### NOMINATION COMMITTEE

Encik Azman bin Abdul Jalil (Chairman)  
Dr. Vijaya Raghavan a/l M P Nair  
Dato' Hon Choon Kim

### REMUNERATION COMMITTEE

Dr. Vijaya Raghavan a/l M P Nair (Chairman)  
Dato' Hon Choon Kim  
Ms. Yap Siaw Peng

### COMPANY SECRETARY

Wong Yuet Chyn (MAICSA 7047163)

### REGISTERED OFFICE

No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : (603) 6201 1120  
Fax : (603) 6201 3121

### HEAD/MANAGEMENT OFFICE

Lot 16014 (PT No. 24341), Jalan Nilam 3  
Bandar Nilai Utama, 71800 Nilai  
Negeri Sembilan Darul Khusus  
Tel : (606) 7999 090  
Fax : (606) 7997 070  
Email : info@peterlabs.com.my

### STOCK EXCHANGE LISTING

ACE Market of  
Bursa Malaysia Securities Berhad  
Stock Name : PLABS  
Stock Code : 0171  
(Listed on 26 July 2011)

### CORPORATE WEBSITE

[www.peterlabs.com.my](http://www.peterlabs.com.my)

### SHARE REGISTRAR

ShareWorks Sdn Bhd  
No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : (603) 6201 1120  
Fax : (603) 6201 3121

### AUDITORS

Grant Thornton Malaysia PLT  
(AF 0737)  
Level 11, Sheraton Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Wilayah Persekutuan (KL)  
Tel : (603) 2692 4022  
Fax : (603) 2732 5119

### PRINCIPAL

Hong Leong Bank Berhad  
Alliance Bank Malaysia Berhad  
Affin Bank Berhad  
United Overseas Bank  
(Malaysia) Bhd

# MILESTONES AND ACHIEVEMENTS

Our key achievements and milestones since inception are as follows:

<b>2005</b>	<p>Special Recognition Award from CAB Cakaran Corporation Bhd (“CAB Cakaran”), a company listed on the Main Market of Bursa Securities</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs’ continuous technical support and supply of quality animal health and nutrition products to CAB Cakaran. CAB Cakaran is a leading integrated poultry producer with operations throughout Malaysia. PeterLabs has established a good business relationship with CAB Cakaran since 2002. We had conducted farmer forum and technical services for CAB Cakaran’s contracted farmers in the past.</li> </ul>
<b>2007</b>	<p>PeterLabs collaborated with Novus International Inc, USA and introduced a series of eco-friendly animal feed additives, such as Activate DA and Mintrex. These ‘green products’ have been incorporated in our animal feed additive premix to enhance the Group’s product performance namely feed intake, growth rate and feed conversion ratio (“FCR”).</p>
	<p>PeterLabs collaborated with Hangzhou KingTechina Feed Co Ltd, China to launch and market a series of Microencapsulate feed additives. The process of microencapsulation will increase the product stability, palatability and bioavailability. The microencapsulated product has been incorporated into our animal feed additives to increase the therapeutic index. It has been proven to have a positive and synergistic effect with PeterLabs product.</p>
<b>2009</b>	<p>Recognition Award from Novus International (M) Sdn Bhd (“Novus Malaysia”)</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs successfully introducing and creating a market in Malaysia for non-antibiotic animal feed additives under the brand name of Novus such as Activate DA and Mintrex.</li> </ul> <p>Recognition Award from In Vivo NSA S.A, France</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs’ successful marketing of animal feed additive products under the brand name of Neovia in the local market.</li> </ul>
<b>2004 - 2009</b>	<p>Recognition Award from Zeus Biotech Limited, India (continuously from 2004 to 2009)</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs’ successful marketing of probiotics and enzymes feed additives in the Malaysian market and achieving good sales performance.</li> </ul>
<b>2010</b>	<p>PeterLabs collaborated with Novus Malaysia to conduct the 1st PigLIVE workshop: “Sustainable Sow Management Programme” at Genting Highlands in August 2010. The workshop was attended by approximately 140 participants from East and West Malaysia, mainly pig farm owners and technical support staff.</p>
<b>2011</b>	<p>Awards and achievements in year 2011</p> <ul style="list-style-type: none"> <li>- On 27 January 2011, the Company had received a letter from National Pharmaceutical Control Bureau (“NPCB”) of the Ministry of Health, Malaysia, which stated our plant is Good Manufacturing Practice (“GMP”) compliant.</li> <li>- Malaysian Livestock Industry Awards 2011 – Outstanding Animal Health Provider.</li> <li>- Best @ Show Awards – Most Popular Booth at Livestock Asia Expo &amp; Forum 2011 Kuala Lumpur.</li> <li>- Named to the International Business Times List of 2011 Top 1000 World’s Fastest Growing Companies.</li> <li>- SME 100 Malaysia’s Fast Moving Companies 2011.</li> </ul>
<b>2013</b>	<p>Recognition Award for outstanding contribution made to the Livestock industry</p> <ul style="list-style-type: none"> <li>- Outstanding Product Innovation: Animal Health Product.</li> </ul>
<b>2017</b>	<p>Asia Halal Brand Awards 2017 – Regional Brands</p> <ul style="list-style-type: none"> <li>- Best Animal Nutrition Feed Product – Osmosis Nutrition Sdn Bhd</li> </ul>

## MILESTONES AND ACHIEVEMENTS (CONT'D)

**2018**

Recognition Award from Financial Times and Statista  
- FT1000 High-Growth Companies Asia-Pacific 2018

Klang factory (Osmosis Nutrition Sdn Bhd) obtained certification from Lloyd's Register in:  
- GMP+ B2 : Production of Feed Ingredients  
- ISO 22000 : 2005  
- HACCP

**2019**

- Award from The Socrates Committee Oxford, UK 2019  
- Best Manager of the Year – Mr. Lim Tong Seng (Managing Director) – High achievement and professionalism in the company management  
- Award from World Confederation of Business - The Bizz Awards (For being a successful leader who works in an innovative, knowledgeable and systematic manner)  
i) World Business Leader  
ii) World Leader Businessperson awarded to Mr. Lim Tong Seng



# DIRECTOR'S PROFILE

## **DATO' HON CHOON KIM**

Malaysian, Aged 71, Male

*Independent Non-Executive Chairman*

Dato' Hon was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He was redesignated as Independent Non-Executive Chairman on 2 January 2012. He is a member of our Audit Committee, Nomination Committee and Remuneration Committee. He graduated with a Bachelor of Social Sciences (Econ) in 1976 from University Sciences Malaysia (USM). In 1977, he started his career in the government's statistical department. In 1986, he was elected as state assemblyman and was appointed as a state executive councilor of Negeri Sembilan. He was then elected to be a member of the Parliament in 1995 and was appointed as the Deputy Minister of Education in 1999, a position that he holds till 2008. He is also the Vice President of NSCMH Medical Centre, a non-profit making organisation in Seremban. He was also appointed as Independent Director in Matrix Concepts Holdings Berhad on 23 July 2015.

He has attended all seven (7) Board Meetings held during the financial year.

## **PROF. DR. PAUL CHENG CHAI LIU**

Malaysian, Aged 72, Male

*Senior Independent Non-Executive Director*

Prof. Dr. Paul Cheng was appointed to the Board of PeterLabs Holdings Berhad on 1 November 2010. Currently he serves as a Senior Independent Non-Executive Director and as the Chairman of the Audit Committee.

Prof. Dr. Paul Cheng distinguished himself in practice as an auditor and a tax consultant. He is the founder and currently the senior partner of Cheng & Co, a Chartered Accountants Firm established in 1993.

He is also an Adjunct Professor in the University Tun Abdul Razak since February 2011. In addition, he lectures on Mandatory Accreditation Program (MAP) for directors of public listed companies in Malaysia.

Prof. Dr. Paul Cheng holds a Bachelor of Business degree (1990) from the University of Southern Queensland, Australia. He also possesses a Master of Business Administration degree (1991) and a Doctor of Commercial Sciences degree (1996) both from the Oklahoma City University, USA. In addition, he holds a Doctor of Business Administration degree (2007) from the University of Newcastle, Australia.

He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), a member of the Malaysian Institute of Certified Public Accountants (MICPA), a member of the Malaysian Institute of Management (MIM), and a member of the Malaysian National Computer Confederation (MNCC). He is a fellow member of CPA Australia and The Chartered Tax Institute of Malaysia (CTIM), a Chartered Management Accountant (CIMA, UK), a Chartered Tax Practitioner with the Chartered Tax Institute of Malaysia, and a Chartered Member of the Institute of Internal Auditors (IIA Malaysia).

He has attended all seven (7) Board Meetings held during the financial year.

## DIRECTOR'S PROFILE (CONT'D)

### LIM TONG SENG

Malaysian, Aged 60, Male  
*Managing Director*

Lim Tong Seng was appointed to the Board on 28 July 2010 as a Director and subsequently redesignated as the Managing Director of our Group on 1 September 2010. He completed his secondary school education in 1977 and has since accumulated over 33 years of experience in the livestock industry, mainly in the animal health and nutrition sector. He is also a committee member of the Malaysian Animal Health and Nutrition Industries Association.

Mr Lim's career in the livestock industry began when he joined the feedmill division of Industrial Farm Pte Ltd, a Singapore commercial pig farm in 1978 as a Feedmill Executive. In 1984, he assumed the position of Production Executive at Agrinuser (M) Sdn Bhd, a feed additive premix manufacturing company. In 1989, he founded Benuser and spearheaded the company's operations in manufacturing various feed additives and premixes for the livestock industry.

In 2002, Mr Lim left Benuser and co-founded PeterLabs, Osmosis Nutrition and PLON Synergy together with two (2) directors from Chern Tek, namely Teo Chin Heng and Dr. Teo Kooi Cheng. Mr Lim was appointed as the Executive Director of PeterLabs in 2002 and subsequently was promoted to Managing Director in 2008.

In 2019, Mr Lim was awarded by The Socrates Committee, Oxford, UK being the Best Manager of the Year for high achievements and professionalism in the company management. He also awarded by the World Confederation of Business – The Bizz, being the World Leader Businessperson for being a successful leader who works in an innovative, knowledgeable and systematic manner.

He has attended all seven (7) Board Meetings held during the financial year.

### TEO CHIN HENG

Malaysian, Aged 67, Male  
*Executive Director*

Teo Chin Heng was appointed to the Board on 1 September 2010 as an Executive Director and is currently heading the Supply Chain Department. He graduated from National Chengchi University in Taiwan with a Bachelor of Economics in 1978 and has since accumulated over 30 years of experience in the animal health and nutrition industry.

Mr Teo began his career in his family's porcelain manufacturing business in 1979 and subsequently joined Wellchem (M) Sdn Bhd in 1981 as a Sales Executive in the veterinary division. In 1986, he co-founded Chern Tek, a company involved in trading of animal health and nutrition products, where he assumed the position of Executive Director and was responsible for the company's sales and marketing activities.

In 2002, Mr Teo left Chern Tek and co-founded PeterLabs, Osmosis Nutrition and PLON Synergy. Mr Teo was appointed as the Executive Director of PeterLabs and Sales and Marketing Director of Osmosis Nutrition in 2002.

He has attended all seven (7) Board Meetings held during the financial year.

**YAP SIAW PENG**

Malaysian, Aged 47, Female  
*Executive Director*

Yap Siaw Peng was appointed as an Executive Director on 1 March 2016. She was appointed as member of Remuneration Committee on 28 November 2019. She obtained her Bachelor Degree of Accounting with Honours and internship practices from The University of Hull in United Kingdom in 1998.

She began her career with few multinational companies in various industry. In 1998, she joined Digi Telecommunication Sdn Bhd as an Accounts Officer. From year 2000 to 2003, she served as a Senior Accounts Executive and Credit Controller in RS Components Sdn Bhd. Prior to joining PeterLabs Sdn Bhd, she worked for 7 years with an American Fortune 500 Company, Avery Dennison Materials Sdn Bhd as a Finance Manager to responsible on the day-to-day operations, she also participated in the South East Asia financial project and to oversee the operational activities at the distribution center in Johor Bahru.

She joined PeterLabs Sdn Bhd in 2010 as a Financial Controller to assist the Group in the Initial Public Offering exercise and was promoted to General Manager in 2012. She is currently responsible for the Group's corporate services function inter-alia, treasury, accounting, corporate planning, finance, human resources, information technology and day-to-day operations of the Group.

She has attended all seven (7) Board meetings held during the financial year.

**LAU YENG KHUAN**

Malaysian, Aged 60, Male  
*Executive Director*

Lau Yeng Khuan is one of our Group's Sales and Marketing Director and was appointed as an Executive Director on 1 September 2010. He completed his high school education in 1977 and has since accumulated over 30 years of sales and business development experience in the livestock industry.

Mr Lau started his career with N.A.M Trading (Ipoh) Sdn Bhd as a Sales Executive in 1978 and subsequently joined Chern Tek in 1997 as a Sales Manager. He left the company to join our Group in 2002 as an Area Sales Manager. He is responsible for overseeing our Group's sales and business development activities in Perak where his roles include sales, co-ordinating and liaising with customers. He is also responsible for providing professional advice to our customers in the swine and poultry sector.

He has attended all seven (7) Board Meetings held during the financial year.

**DR. VIJAYA RAGHAVAN A/L M P NAIR**

Malaysian, Aged 80, Male  
*Independent Non-Executive Director*

Dr. Vijaya was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He is the Chairman of Remuneration Committee and member of Nomination Committee. He is a veterinarian with a Degree of Doctor of Veterinary Medicine from East Pakistan Agricultural University (currently known as Bangladesh Agriculture University). He graduated with a first class degree in 1970. In 1974, he obtained a PhD in Animal Nutrition from the Royal School of Veterinary Medicine in Hannover, Germany.

After his return from Germany, Dr. Vijaya started his career as a Research officer at the Institut Haiwan, Kluang, Johor for two years. He then joined the feed milling industry as a nutritionist and worked for two (2) related companies, namely Sin Heng Chan (M) Sdn Bhd and Federal Flour Mills Bhd for 35 years before becoming a freelance consultant for a few multinational companies in the field of poultry production, nutrition and staff training.

## DIRECTOR'S PROFILE (CONT'D)

As a nutritionist, he has pioneered various research projects that are published in various international journals. Dr. Vijaya is also the Chairman of the Technical Committee of Animal Feeds of Standards and Industrial Research Institute of Malaysia ("SIRIM"). In SIRIM, he spearheaded the development of various types of animal feed for the livestock industry. Dr. Vijaya was awarded the Livestock Asia 2013 Award by the Ministry of Agriculture on his outstanding contribution to Malaysian Feed Milling Industry. This is the third award which he has received from the Ministry of Agriculture ever since the Livestock show started in 2001. He was also honoured by the Malaysian Society of Animal Production for his contribution to the feed industry in 1996 and by our Ministry of Science and Technology for his contribution in the development of various standards for feeding livestock in 1997.

Dr. Vijaya's other achievements include the Livestock Industry Achievement Award and Lifetime Achievement Award, both awarded by the Ministry of Agriculture in 2002 and 2007 respectively. In 2006, he was appointed as the speaker of the Bureau of World Poultry Science Association, in which he delivered lectures and conducted research papers in various international meetings. In 2008, he was made a fellow by the World Poultry Science Association for the Malaysian Branch. He is also a member of various professional bodies both locally and internationally.

Aside from being a freelance consultant, Dr. Vijaya currently lectures in several local and foreign universities.

He has attended all seven (7) Board Meetings held during the financial year.

## AZMAN BIN ABDUL JALIL

Malaysian, Aged 59, Male  
*Independent Non-Executive Director*

Encik Azman was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He is the Chairman of Nomination Committee and member of Audit Committee. He obtained his Bachelors of Pharmacy (Honours) from University of El-Mansourah, Egypt, in 1983. He is a registered pharmacist with the Malaysian Pharmacy Board since 1984. Upon graduation, he joined the Ministry of Health of Malaysia as a Pharmacy Enforcement Officer.

In 1992, he left the Ministry of Health of Malaysia and joined Xepa Soul Pattinson (M) Sdn Bhd as a pharmacist. In 1995, he joined Kotra Pharma (M) Sdn Bhd, a pharmaceutical manufacturer and distributor, as a Quality Assurance Manager and was later promoted to Plant Manager in 2001. He left the company in 2003, and thereafter he joined Applied Chemie (M) Sdn Bhd as a Technical and Training Director.

In 2006, Encik Azman started his own consultancy firm, A1 Consultancy & Integrated Services Sdn Bhd, specializing in providing pharmaceutical consultancy services as well as training and registration of medicinal drugs, traditional (herbal) medicines, health supplements, cosmetics, and veterinary medicinal products.

Encik Azman is a life member and vice-chairman of Malaysian Pharmaceutical Society, Melaka branch. He is also a member of the International Society of Pharmaceutical Engineering (ISPE) of the Malaysian Affiliate.

He has attended all six (6) out of seven (7) Board Meetings held during the financial year.

### Other Information:

- (a) Save for Dato' Hon, none of the Directors hold any directorships in other public companies and public listed companies.
- (b) None of the Directors has any family relationship with any Director and/or major shareholder of the Company.
- (c) Conflict of Interest: None of the Directors has any conflict of interest with the Company.
- (d) Conviction of offences: None of the Directors has been convicted for any offences within the past 5 years other than traffic offences, if any.

# SUSTAINABILITY STATEMENT

PeterLabs Holdings Berhad and its subsidiaries (“the Group”) believes that sustainability development of the Group is one of the key pillars in our Group’s Strategy, which is of paramount importance to our long-term success. The Group has been continuously refining our ways to manage our business in a sustainable and responsible manner.

However, we must not forget, that our commitment to sustainability is an ongoing journey with no finishing line. We will therefore continue to align our business values, purposes and strategy with sustainability principles divided into four main areas, namely Employees, Environment, Community and Market place.

## Employees

Our employees have been and will always be our core assets remaining a key pillar for the success and continued growth of our Group. In this connection, their health, safety and well-being of our employee are importance in every aspect of our operations.

The Group practices fair and equal opportunities to all employees based on merits without discrimination on gender, ethnicity, sexual orientation or physical disabilities.

Regardless of where our employees are located or the type of work that they undertake, we strive to create a working environment that is free from occupational illness or injury. We are doing our best to improve awareness on safe practices and to enhance preventive skills among all our employees in order to minimise the risk of work place accidents. The management has also organised various activities such as emergency response and precaution, fire drill as well as forklift driving training to enhance employees’ awareness on the importance of personal health and safety.

The Company takes a personalised note to recognize each employee’s birthdays and celebrating the occasions every quarterly. This quarterly gathering creates an emotional bond between the Company and employees. All employees will gather for a cake cutting, given a birthday gift and followed by a lunch party. This quarterly celebration integrates strong employee recognition and promotes unity to build a positive and productive fun workplace. It makes the employees feel special, cared for and appreciated.

As our Group being a great company which has shown our responsible, accountability and sustainability, we believe in human element to support our diverse workforce and to create opportunities. As the animal livestock industry needs more personnel equipped with animal husbandary and veterinary medicine knowledge, the Group has sponsored an academic award by the name of Hadiah PeterLabs Holdings Berhad for Produksi Dan Kesihatan Haiwan Ternakan for student who excel in his / her education.

Currently, the whole world is plagued with a new-found virus called novel coronavirus (“COVID-19”) and the World Health Organisation (“WHO”) has issued statement that COVID-19 had spread to 215 countries and had reached pandemic level.

Malaysia has reported a total of 8529 positive cases (as at 18 June 2020) and the Company has taken precautionary measures when dealing with incoming visitors, contractors and customers whereby we will invite them to get their face mask that provide at company guard house before enter into our building. This move was implemented to reduce the risk of infection among our employees, visitors and contractors.

In addition to that, the Company has implemented heat screening at the main entrance every morning for everyone who comes into the plant and office. For those whose temperature are above 37.5 degrees Celsius, they are not allowed to enter premise and are advised to go to the nearest Klinik Kesihatan Nilai for COVID-19 examination.

We frequently review our processes and policies to ensure compliance with laws and regulations for all our operations.

In financial year ended 31 December 2019, we did not receive any fines in relation to the breach of social related laws and regulations.

## Environment

We continue to enforce our efforts to comply with environment laws as well as manage our waste.

We ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and wastewater.

# SUSTAINABILITY STATEMENT (CONT'D)

As part of our Sustainability agenda, we have measures in place to minimise the adverse impact of pollution on the environment and to achieve continuous improvement of our plants' environmental performance, and we send other controlled waste substances (such as waste water plant sludge, contaminated drums, electrical waste, used filters and contaminated rags) to government licensed waste disposal units or specialist contractors.

We are pleased to highlight that we have not been penalised for any matter related to environmental compliance by any regulatory authorities during the financial year ended 31 December 2019.

## Community

We have always believed that a strong business environment is underpinned by a positive, cohesive and inclusive community environment.

The Group has paid a visit and also made contribution to child asylum and nursing home. On 26 November 2019, we had visited two (2) centers which are located in residences area, namely Pertubuhan Kebajikan Orang Tua Cacat dan Kurang Upaya Taman Connaught and Persatuan Insan Istimewa Cheras Selangor to care and convey greetings to the children and elderly. We contributed monetary, food and daily necessities to support both the houses as their daily expenses and center expansion due to insufficient space to fit more children and the elderly in the center. The Group has also made a humble contribution to various religion association and temple. We hope to enhance the lives of the local community with our contribution.

Having sustainability and recognition of social responsibility as values of the company, The Group is always dedicated in contributing to the community. As distributor of veterinary pharmaceutical products and animal technical service provider, on 18 January 2019, the Group participated in providing general wellness program to shelter dogs in FurryKids SafeHaven, an animal shelter in Seremban. The shelter is working with the state government to provide a home to the stray dogs caught by officers. As the population of shelter dogs is increasing while the government is yet to provide grants, the shelter always hopes to seek support from the private sector.

The Group had also supplied multivitamins to the dogs. All veterinarians from PeterLabs were physically examining the sick dogs with ectoparasitic skin disease and provided treatment with injection of doramectin to the dogs. All the shelter dogs were also dewormed.

The Group recognised that the shelter urgently needs a fridge to keep food and medicine. Thus, on 22 February 2019, the Group paid a second visit to the shelter with the supply of a fridge and amoxicillin antibiotic. The veterinarian physical examined the sick or injured dogs, did simple wound cleaning and prescribed antibiotic but also helped to trim the dogs' nails.

## Market place

PeterLabs Group maintains high integrity of corporate governance practices as well as enhancing the shareholders' value. We are committed to being honest and fair, and doing what is right for our associates and customers. Our Company conducts our business with adherence to the law. Our employees hold themselves to the highest standards of honesty, both internally and externally, when dealing with colleagues, clients or vendors.

The services provided by our Group are "customer-driven" and aim at providing convenience and various choices to our customers. We also provided exceptionally good services to our customers by maintaining a personal relationship and dealing directly with customers.

While the Company has fulfilled the key areas where risk to sustainability of the Group's business may occur, the Company acknowledges that continuous improvements and measures will still be undertaken to monitor the performance or results of the Group as well as to enhance outcome where possible.

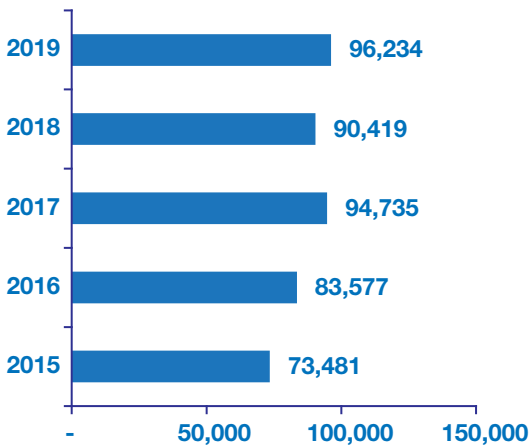
This Sustainability Statement has been approved by the Board dated 18 June 2020.

# FIVE-YEAR FINANCIAL HIGHLIGHTS

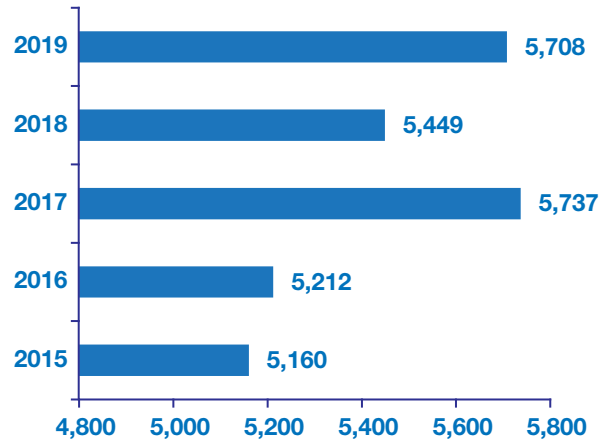
## Five-Year Financial Highlights

	2015	2016	2017	2018	2019
Revenue (RM'000)	73,481	83,577	94,735	90,419	96,234
Profit Before Taxation (RM'000)	5,160	5,212	5,737	5,449	5,708
Profit After Taxation (RM'000)	3,478	3,335	4,007	3,797	4,275
Shareholders' Equity (RM'000)	38,991	39,431	45,741	48,263	52,470
Total Assets (RM'000)	50,502	61,748	68,922	72,809	72,731
Earnings Per Share (Sen)	1.70	1.61	1.89	1.77	1.99
Net Assets Per Share (Sen)	20	19	21	22	24

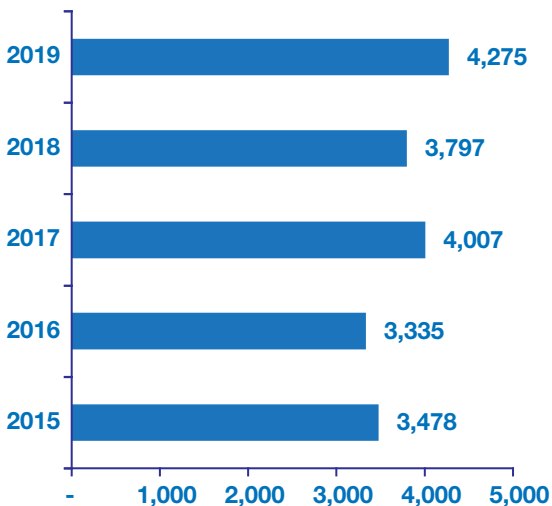
### Revenue (RM'000)



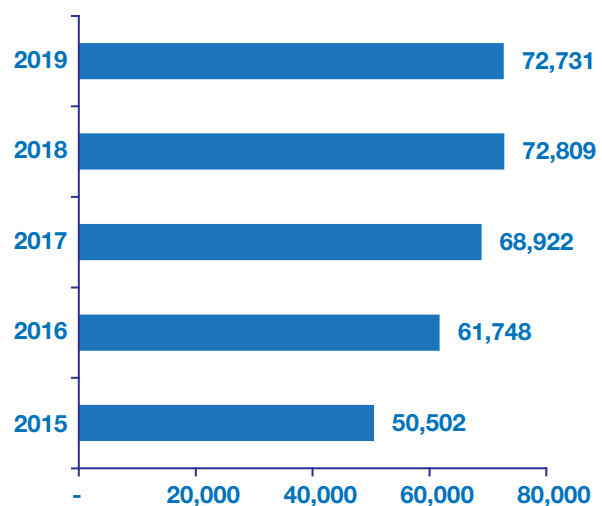
### Profit Before Taxation (RM'000)



### Profit After Taxation (RM'000)



### Total Assets (RM'000)



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Operation

Our Group is one of the leading specialists in manufacturing, distribution and trading of animal health and nutrition products. Our Group's products include animal feed additives, environment maintenance products, veterinary pharmaceuticals, biologicals, anthelmintic, antimicrobial, disinfectant, injectable products, mold inhibitor and toxin binder, multi-nutrient and supplement, complete feed premix, pre-probiotic / enzyme / acidifier, topical dressings, cleansing agents and OsmoFAT.

The Group's manufacturing plant in Nilai, Negeri Sembilan has been commercialised since July 2011. The premises boast of 3 acres land area, which houses the corporate office, production facilities, warehouse facilities, quality control facilities, physio-chemical and microbiology laboratory. The plant in Nilai is Good Manufacturing Practice ("GMP") compliant by National Pharmaceutical Regulatory Agency ("NPRA") for our premises and manufacturing facilities. The Group will be able to provide assurance to customers that our products are manufactured in a hygienic manner and accordance to best practices in manufacturing. The Group is able to produce variance of animal health and nutrition products to cater livestock industry needs with the current production facilities.

In line with the expansion of our Group's manufacturing capacity, the Group has ventured into mass production and toll manufacturing. In year 2015, the Group had expanded and set up another Fat Granular Spray Plant in Klang with an approximate build up area of 28,320 sq.ft. The manufacturing plant is targeted as a manufacturing and storage for our in-house brand "OsmoFAT". The plant's operation has been commercialised in July 2016 and achieved ISO22000/HACCP Food Safety Management System and GMP+ B2 in year 2018. In quarter four of year 2017, our Group's subsidiary, Osmosis Nutrition Sdn Bhd had obtained Asia Halal Brand Awards 2017 – Regional Brands – Best Animal Nutrition Feed Product. Subsequently in early year of 2018, Financial Times and Statista awarded our Group FT1000 High-Growth Companies Asia-Pacific 2018.

## Business Objective

The Group provides end-to-end solutions to our customers, namely supply of products (consist of animal feed additives and nutrition and medication premixes), farm management, technical advisory services, raw material analysis and feed formulation. Its animal feed additives are used in the livestock industry such as in the poultry, ruminant and swine farming segments. Its products are used to help increase farm yield by lowering mortality rates and ensuring that animals stay healthy and grow to marketable sizes.

The Group has a team of dynamic and energetic professionals who complement each other's work towards the common goal of manufacturing varieties of animal health products, animal nutritional feed additive and veterinary pharmaceutical to serve the livestock industry.

The Group has also established a technical support team comprises of veterinarians, nutritionists, and chemists to serve our customers better. Our objective is to introduce a new technology farm management and to develop "Green Product" in order to maximise the farm productivity, at the same time minimise the farm pollution to our environment.

The Group has also provided technical information exchange with customer's supervisors, technicians and in-house veterinarians, livestock information sharing, post-mortem on diseased animals, blood sampling of diseased animals for testing and individualize latest technologies in the manufacturing of feed additives which help to meet the challenges in the feed and farming industry. We carry out researches to improve our products and to cater for our customers' needs. We also send out our technical team to visit our customers frequently.

The Group research and development team collaborates with universities and government bodies to carry out on-going research and development programs to enhance livestock farms' zootechnical and economic competitive edge in terms of quality, safety, profitability and animal well-being. We also run field trials at livestock farms to verify the efficiency of our products.

Seminars are organized frequently for our staffs and customers. The seminars include in-house technical seminars on topics relevant to customers, general technical seminars, updates on livestock industry around the world and whenever the Group launch new products from our company.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Financial Result

The table below highlights the Group's key financial performance for financial year ended 31 December 2019:

	Financial Year Ended 31 December		Variance
	2019	2018	
	RM'000	RM'000	%
Revenue	96,234	90,419	6.43
Cost Of Sales	78,269	72,810	7.50
Gross Profit	17,965	17,609	2.02
Profit Before Tax	5,708	5,449	4.75
Profit After Tax	4,275	3,798	12.56
Gross Profit Margin	18.67 %	19.47 %	(4.11)

Group Revenue for financial year ended 31 December 2019 increased by RM5.82 million or 6.43% compared with financial year ended 31 December 2018 were mainly from local sales as the Group has conducted promotional sales in slow moving stock.

However, export market was still low, as overall competitiveness and market situation was not optimistic and diseases were happened in several overseas countries. However, the Group will strive the best to continue to venture into export market.

The table below highlights the Group's Local Sales and Export Sales for financial year ended 31 December 2019 and financial year ended 31 December 2018:

### Group Revenue by Location

	Financial Year Ended 31 December				Variance	
	2019		2018		RM'000	%
	RM'000	%	RM'000	%		
Local Sales	92,887	96.52	84,882	93.88	8,005	9.43
Export Sales	3,347	3.48	5,537	6.12	(2,190)	(39.55)
Total Sales	96,234	100.00	90,419	100.00	5,815	6.43

Gross profit margin for financial year ended 31 December 2019 decreased by 0.80% as compared to financial year ended 31 December 2018, mainly due to the weakening of our currency against USD which caused our imported raw material price to increase, which we are slowly passing on the increasing cost to our customers due to stiff competition among industry competitors.

### Other Income

	Financial Year Ended 31 December		Variance
	2019	2018	
	RM'000	RM'000	%
Other Income	1,296	733	76.81

The Group's total other income significantly increased by 76.81% mainly due to higher sundry income and incentive income received from foreign suppliers as a result of achieving sales target.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Other Operating Expenses

	Financial Year Ended 31 December		Variance
	2019	2018	
	RM'000	RM'000	%
Selling and Distribution Expenses	3,320	3,261	1.81
Administration Expenses	8,885	8,599	3.33
Other Expenses	825	236	249.58
<b>Total</b>	<b>13,030</b>	<b>12,096</b>	<b>7.72</b>

Other operating expenses increased by 7.72% to RM13.03 million in financial year ended 31 December 2019 compared to RM12.09 million in financial year ended 31 December 2018. Increase in administrative expenses is mainly due to increase in staff cost and administration expenses.

Other expenses has increased from RM0.24 million in financial year ended 31 December 2018 to RM0.83 million in current financial year under review, mainly due to inventories written down of RM0.52 million coupled with bad debts written off of RM0.14 million as compared with previous financial year.

In addition to that, higher selling and distribution expenses in financial year ended 2019 in tandem of higher revenue achieved.

## Profit After Tax

The Group recorded a profit after taxation ("PAT") of RM4.27 million for financial year ended 31 December 2019 compared to PAT of RM3.80 million recorded in financial year ended 31 December 2018, representing an increase of RM0.47 million or approximately 12.56%. Higher PAT in this financial year arose from higher revenue as well as higher other income achieved.

## Trade Receivables

Trade receivables increased by RM3.27 million primarily due to higher revenue achieved for the financial year ended 31 December 2019 but the net debtor turnover days have further increased from 93 days in financial year ended 31 December 2018 to 99 days in financial year ended 31 December 2019. The slower collection achieved in financial year ended 31 December 2019 was mainly due to disease outbreak which affected our customers from poultry and swine segments. However, the management will maintain and practice good credit control policy with continuous monitoring collection before approval for delivering goods to customers who are financially distressed.

Moreover, higher provision of expected credit losses during the year under review shows an increase of RM0.01 million as compared to financial year ended 31 December 2018. We will continue to monitor collection in order to further reduce the provision for expected credit losses as per our credit control policy.

## Cash and Bank Balances

The Group's bank balances increased by 164.08% to RM14.78 million from RM5.59 million mainly due to shorter inventory turnover days as a result of promotional activities launched during the year. This has significantly reduced the inventory level from last financial year ended 31 December 2018 of RM25.48 million to RM14.55 million this year or reduced by 42.89%. This drastic action taken in order to conserve cash in hand as a result of lesser upfront payments made for most of the overseas and local goods purchased.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Financial Condition

Strong Financial Condition with Healthy Cash Flows

	Financial Year Ended 31 December		Variance
	2019	2018	
	RM'000	RM'000	%
<b>Total Assets</b>	72,731	72,809	(0.11)
<b>Total Liabilities</b>	20,261	24,546	(17.46)
<b>Total Equity</b>	52,470	48,263	8.72
<b>Total Borrowings</b>	6,807	8,409	(19.05)
<b>Cash and Bank Balances</b>	14,775	5,595	164.08
<b>Issue and Fully Paid Capital (unit)</b>	214,739	214,739	-
<b>Net Asset Per Share (sen)</b>	24.43	22.48	8.67
<b>Basic Earnings Per Share (sen)</b>	1.99	1.77	12.43

At the end of financial year, the Company has cash of RM14.77 million, total current assets of RM56.10 million and total current liabilities of RM18.76 million. This resulted in a quick ratio of 2.21 which means that the Group has ability to meet its short-term obligations with its most liquid assets.

Total borrowing stood at RM6.81 million, of which RM2.89 million of the loans was utilised mainly for financing payment to local and foreign suppliers.

## Review Of Operating Activities

	Trading		Manufacturing		Grand Total	
	Financial Year Ended 31 December					
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Net Revenue</b>	92,763	87,240	3,471	3,179	96,234	90,419
<b>Profit Before Tax</b>	5,876	6,530	(168)	(1,081)	5,708	5,449
<b>Profit After Tax</b>	4,389	4,553	(114)	(756)	4,275	3,797
<b>% of Contribution (Net Revenue)</b>	96.39	96.48	3.61	3.52	-	-
<b>% of Contribution (PAT)</b>	102.67	119.91	(2.67)	(19.91)	-	-

## Trading Segment

Trading segment remains as the core business of the Group and continues to be the key driver in both revenue and segmental operating profit for the Group. For the current financial year ended 31 December 2019, trading segment contributed 96.40% of the Group's revenue and 102.67% of its profit after tax.

The Group is also expanding to offer a wider range of products, including vaccines in order to support the growth of the segment. The Group will actively participate in local and overseas seminars, forums and exhibitions to gain market recognition and market share.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Manufacturing Segment

Currently, the Nilai Plant is running at 80% capacity on a 10-hour shift or approximately 200 tonnes a month. The plant manufactures various types of animal health additives, except for OsmoFAT products.

The Group's fat granular spray plant in Klang manufactures animal feed additives under the Company's in house OsmoFAT brand. This plant will bolster growth for the Group, which will cater for local demand and future market such as China and Europe apart from current export market of Bangladesh, South Korea, Republic of Belarus, Sri Lanka, Taiwan and The Philippines. The Group has more capacity to grow if more penetration and successful venture is made into the export market.

## Anticipated Or Known Risks Relating To Our Business And Industries

### (1) Epidemics

The threat of epidemics has always been one of the major problems faced by the livestock industry. As the demand for animal health and nutrition products are wholly dependent on the growth of the livestock industry, any widespread of animal diseases would have a severe impact on the demand of animal health and nutrition products, both domestically and internationally. As such, the recurrence of these or other new epidemics could have similar effects on livestock demand and supply as well as the demand for animal health and nutrition products.

To minimise the risk of epidemics, the Group has diversified its customer base to foreign countries such as Bangladesh, Indonesia, Brunei, Thailand, Nepal, Pakistan, Korea, Singapore, Taiwan, and The Philippines. This way, we could reduce the risk of our product sales in the event of an epidemic in any particular location. However, there can be no assurance that the outbreak of epidemics can be contained or eliminated entirely and have no material effect on our business performance.

### (2) Competitive rivalry

The local animal health and nutrition market is highly competitive and comprises more than 50 market players which include domestic product manufacturers, distributors and subsidiaries of international product manufacturers. Due to the relatively mature nature of the local livestock industry, particularly the poultry and swine sub-industries, market players are required to have good products, strong branding, critical supply quantity, economies of scale and competitive prices in order to stay one step ahead of their competitors.

Our Group's core competency lies in the ability to develop and manufacture our own animal health and nutrition products. Our resilience lies in our product development initiatives which is one of our competitive strengths.

### (3) Supply of raw materials and products

An uninterrupted and continuous supply of raw materials and products to our business cycle is crucial to our Group's success. Any disruption to the supply chain will adversely affect our business operations due to our involvement in manufacturing and trading activities particularly as opposed to a business which provides advisory services which depends on human capital.

To mitigate this risk, our Group has sourced our supplies from a variety of suppliers. Further, we are of the view that holding several distributorships mitigates our dependence on any single distributor. In the event that any of these distributorships are terminated by either party, we do not foresee any difficulties in sourcing similar products from any of our existing distributors, or other suppliers in the market.

### (4) Fluctuation in prices of raw materials and products

One of the key issues encountered in the manufacturing industry is the fluctuation in raw material prices. As raw material cost contributes to a significant amount of our expenses, a slight hike in raw material prices would significantly increase our cost of production.

Other price increases could also be as a result of foreign exchange fluctuations which we have endeavoured to negate by entering into foreign exchange spot contracts to lock in the current exchange rates for our foreign purchases to be settled within three (3) market days.

## **(5) Absence of long term contracts**

We do not have any long-term contracts with our customers as it is not a normal practice in the industry. As such, absence of long term contracts can be an inherent risk to our business's operations.

Hence, we are dependent on our major customers and could, to a certain extent, be impacted by any loss in sales to our major customers. Although there can be no assurance that our major customers will continue to purchase from us, our Group seeks to mitigate this risk by establishing good business relationships with them. Further, we have been able to keep in touch with our customers regularly through the provision of after-sales services as well as through various farmers' seminars and forums that we organise and attend from time to time. Our Group's commitment in providing continuous supply of quality products and services has been a vital factor towards customer satisfaction as well as a major reason for repeat purchases.

## **(6) Threat of Substitutes**

Each product in the animal health and nutrition market has its own characteristics and functions. As different products are tailored to different farm animals and different farm environments, they are not easily replaced or substituted due to their distinctive features and functions. However, within the animal health and nutrition market, antibiotic related animal feed additives are most vulnerable to substitutes due to the increasing awareness of health and environmental hazards as well as the impending regulations related to antibiotic products. There is an increasing trend that farmers are switching to non-antibiotic animal feed additives on the basis of greater environmental sustainability and long-run profitability. Our Group currently manufactures and trades in both antibiotic and non-antibiotic animal feed additives. This reflects the current preferences and demand of livestock farmers in Malaysia. As livestock farmers gradually shift towards greater non-antibiotic feed additives usage, we are easily able to shift production and trading patterns to favour non-antibiotic feed additives. The Group will continue to deal with both types in proportion with market demand. In this regard, our Group's exposure to threat of substitutes are minimised in the event of a major change in consumer preference. Nevertheless, there can be no assurance that the Group's performance will not be affected in the event there is a new product innovation.

## **(7) Dependency on our executive directors, key management and key technical personnel**

Human capital is one of the key factors in the success of the Group. Over the years, we have built up a strong operations team comprising our directors, managers and technical personnel who have a vast experience in the livestock industry and have over the years accumulated vast and valuable knowledge of our Group's operations and the industry. As such, any loss of our key personnel may have an adverse impact on our Group as well as to our day-to-day operations. To retain our key management and key technical personnel, we offer a competitive remuneration package for their contribution towards our Group's success. Good working relationships have also been fostered amongst our employees as we provide a healthy working environment, practice good workplace culture and uphold good work ethics to create a sense of belonging amongst our employees. Although most of our key employees have good working relationships with us since our inception, there can be no assurance that they would not leave the Group.

## **Forward-looking Statement**

In anticipation of the year 2020 which we expect a challenging business environment that will be influenced by factors such as implementation of sales and service tax, increase of minimal wages, the pandemic situation of COVID-19 coupled with weak consumer sentiment in the regional market and fluctuating currency, we will continue to uphold our healthy business practices to strive for our business sustainability and add value to our shareholders.

Barring any unforeseen circumstances, the Board of Directors are optimistic about the Group's prospect in this financial year ending 31 December 2020 remains positive with challenges ahead.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of PeterLabs Holdings Berhad (“PLABS”) recognises the importance of good corporate governance and is committed to practice high standards of corporate governance throughout the Group. Such commitment is based on the belief that a strong culture of good corporate governance practices is fundamental towards enhancing long-term shareholders’ value, increasing investors’ confidence and protecting stakeholders’ interests.

Following the introduction of the Malaysian Code on Corporate Government 2017 (“MCCG 2017”) by Securities Commission Malaysia on 26 April 2017, the Board is cognisant of the increasing governance expectations and will take further steps to strengthen the corporate government and internal controls of the Group to ensure that a higher standard of corporate governance is adopted throughout the Group.

The Board is pleased to present this statement on the overview of the corporate governance practices of the Company during the financial year ended 31 December 2019. This overview statement explains how PLABS Group has applied the three (3) principles which are set out in the MCCG 2017:

- (i) Board leadership and effectiveness;
- (ii) Effective audit and risk management; and
- (iii) Integrity in corporate reporting and meaningful relationship with stakeholders.

This statement is to be read together with the Corporate Governance Report of the Company which is available on the Company’s website, <http://www.peterlabs.com.my>.

## **PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS**

### **i. Board Responsibilities**

The Group recognises the important role played by the Board in the stewardship of the Group’s direction and operations, and ultimately, the enhancement of long-term shareholders’ value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has set the approved authority limit for Directors and Management on annual basis, which clearly delineates relevant matters and applicable limits, including those reserved for the Board’s approval, and those which the Board may delegate to the Managing Director and Management. The last reviewed approved authority limit was on 1 March 2020.

The Board members, whether as full Board or in their individual capacity, have full and unrestricted access to all information within the Group and direct access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. At each meeting of the Board, the Company Secretary appraises the Board on the Group’s compliance obligations and highlights non-compliances with legal, regulatory and statutory rules and guidelines, if any, in addition to the administrative matters.

The Board are also regularly updated and advised on new regulations, guidelines or directive issued by Bursa Securities, Securities Commission of Malaysia and other relevant regulatory authorities.

The Board also avails itself of independent professional advice as and when necessary in furtherance of their duties, at the Company’s expense. Additionally, the Board invites the senior management to brief the Board from time to time on matters being deliberated as they are able to help bring insight into these matters.

The agenda for Board meeting and the relevant reports and information for the Board’s review and approval are forwarded to all members minimum one (1) week prior to the Board meetings.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board recognises that it is imperative that directors devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes. The Directors were encouraged to attend relevant training programmes or seminars to further enhance their skills and knowledge in the latest statutory requirements as well as to keep abreast with the business development to assist them in discharging their duties as Director.

Details of the Directors' attendance of training programs or seminars during financial year ended 31 December 2019 are as follows:-

Date	Topic	Attendee(s)
18 April 2019	Mandarin Seminar : Understanding and Updates on Employers Duties and Obligations under the Employment Laws (With 2019 Updates)	Mr. Lim Tong Seng Ms. Yap Siaw Peng
29 & 31 July 2019	2019 ISPE Education Seminar Series: Effective Auditing of Pharma Cleanroom HVAC and Other Critical Utility Systems	Hj. Azman Bin Abdul Jalil
30 August 2019	Ethic & Governance	Ms. Yap Siaw Peng Mr. Lim Tong Seng Mr. Lau Yeng Khuan Mr. Teo Chin Heng Dato' Hon Choon Kim Hj. Azman Bin Abdul Jalil Dr. Vijaya Raghavan A/L M P Nair Prof. Dr. Paul Cheng Chai Liou (Trainer)
18 October 2019	Share Structure 4.0	Ms. Yap Siaw Peng Mr. Lim Tong Seng
05 November 2019	Cash Flow Management - Malaysia Budget Edition	Ms. Yap Siaw Peng Mr. Lim Tong Seng

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. The Company Secretary also keeps abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training.

The Board Charter would act as a source reference and primary induction literature, provide insights to prospective Board members as well as assist the Board in the assessment of its own performance and that of its individual Directors.

The Board Charter will be reviewed periodically and updated in accordance with the needs of the Group and any new regulations.

The Board Charter is accessible through the company's website at <http://www.peterlabs.com.my>.

### ii. Board Composition

Board composition influences the ability of the board to fulfill its oversight responsibilities. An effective board should include the right group of people, with an appropriate mix of skills, knowledge, experience and independent elements that fit the Company's objectives and strategic goals. The right board composition will ensure sufficient diversity and independence to avert 'groupthink' or 'blind spots' in the decision-making process. It also enables the Board to be better equipped to respond to challenges that may arise and deliver value.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board believes in a right composition of Board members with balance of qualifications, skills, experiences and diversity among its Board members.

The Board currently comprises of eight (8) members, of which four (4) are Executive Directors and four (4) are Independent Non-Executive Directors.

In accordance with Rule 15.02 of ACE Listing Requirements, at least 2 directors or 1/3 of the board of directors, whichever is higher, shall be Independent Directors. If the number of directors is not 3 or multiple of 3, then the number nearest 1/3 shall be used for purposes of determining the requisite number of Independent Directors. The Board comprise of at least half being Independent Directors.

As defined as one of the function of the Nomination Committee ("NC"), NC is periodically reviewing and making recommendation to the Board on Board composition matters and recommendations, which includes identification and selection of high caliber candidates who will be able to meet the present and future needs of the Company.

The Board through its NC conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals. The Board has in place a 9-year policy which limits the tenure of the Independent Non-Executive Director of the Company to nine (9) years, with the view to enable the Board's continuous refreshment, to maintain its effectiveness.

If the Board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

For the year under review, the Board is satisfied with its current mix of qualification, skills, experiences, expertise and strength, in discharging its duties effectively.

During the year, the Board size had decreased from ten (10) members on 1 January 2019 to eight (8) members.

The term of reference for NC was adopted on 29 November 2016 and is accessible through the Company's website at <http://www.peterlabs.com.my>.

The Board acknowledges the importance of boardroom diversity and workforce gender diversity policy.

The Board currently has one female director who has been appointed on 1 March 2016.

The Board will continue to formalise the Diversity Policy, which will be priority for corporate governance activity in year 2019.

The Group is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

## **Tenure of Independent Directors**

As at the last Annual General Meeting ("AGM"), PLABS shareholders have approved the Proposed Retention of Independent Director Resolution.

To approve and retain the following Directors, each of whom will have served as an Independent Non-Executive Director for a cumulative term of more than 9 years, to continue to act as Independent Directors of the Company:-

Dato' Hon, Prof. Dr. Paul and Dr. Vijaya have served more than nine (9) years as Independent Directors.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board in view that Dato' Hon, Prof. Dr. Paul and Dr. Vijaya have served more than nine (9) years as Independent Directors remain unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board. Furthermore, their pertinent expertise, skills and detailed knowledge of the Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

At the forthcoming 2020 AGM, Dato' Hon, Prof. Dr. Paul and Dr. Vijaya are seeking retention as Independent Directors. NC had recommended their retention to the Board and the Board is recommending the shareholders' approve the retention at the forthcoming 2020 AGM.

The Constitution of the Company provides that all directors shall retire by rotation once in every three years or at least 1/3 of the Board shall retire but shall be eligible for re-election at its Annual General Meeting.

Dato' Hon Choon Kim, Mr. Lau Yeng Khuan and Encik Azman bin Abdul Jalil are due to retire by rotation under the Clause 134 of the Constitution. Save for Mr. Lau and Encik Azman, Dato' Hon has offered himself for re-election. However, Mr. Lau and Encik Azman will retire at the conclusion of 2020 AGM.

### iii. Remuneration

Directors' remuneration, which is well structured, clearly linked to the strategic objectives of a company, and which rewards contribution to the long-term success of the Company is important in promoting business stability and growth. However, pay policies which do not appropriately link Directors' remuneration to Company strategy and performance can diminish shareholders' returns, weaken corporate governance and reduce public confidence in business.

The Board has established a Remuneration Committee, consisting of two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:

Name	Designation	Directorship
Dr. Vijaya Raghavan A/L M P Nair	Chairman	Independent Non-Executive Director
Dato' Hon Choon Kim	Member	Independent Non-Executive Chairman
Ms. Yap Siaw Peng	Member	Executive Director (appointed on 28 Nov 2019)
Mr. Teo Chin Heng	Member	Executive Director (resigned on 28 Nov 2019)

The remuneration of the Executive Directors is structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibility undertaken by the particular Non-Executive Director concerned. The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration.

## PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

### i. Audit Committee

An effective Audit Committee ("AC") can bring transparency, focus and independent judgment needed to oversee the financial reporting process. However, the ultimate responsibility for a company's financial reporting process rests with the full board.

The AC plays a key role in a company's governance structure. An independent AC is better positioned to rigorously challenge and ask probing questions on the Company's financial reporting process, internal controls, risk management and governance.

The appropriate level of knowledge, skills, experience and commitment of its members is critical to the AC's ability to discharge its responsibilities effectively. A strong understanding of financial reporting process complemented with a wide range of diverse perspectives can significantly strengthen the quality of AC deliberations.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The AC of the Company comprises three (3) Independent Non-Executive Directors, is chaired by an Independent Non-Executive Director, Prof. Dr. Paul Cheng Chai Liou. Such practice was formalised and incorporated in the Terms of Reference of AC since October 2016.

Annually, the composition of AC is reviewed by the NC and recommended to the Board for approval. With the view to maintain an independent and effective AC, the NC ensures that only an Independent Non-Executive Director who is financially literate, possesses the appropriate level of expertise and experience, and has the strong understanding of the Company's business would be considered for membership on AC.

The Board has established a transparent relationship with the external auditors through the AC, which has been accorded the authority to communicate directly with the external auditors. The external auditors in turn are able to highlight matters requiring the attention of the Board effectively to the AC in terms of compliance with the accounting standards and other related regulatory requirements.

The Board has defined its policy on suitability and independence of external auditors during the financial year. In accordance to this policy, the AC will review the qualification, audit performance and execution, provision of non-audit service and tenure of service of the External Auditors. Annually, the Audit Committee also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment in the Annual General Meeting ("AGM").

## ii. Risk Management and Internal Control Framework

The Board has the overall responsibility for maintaining a system of internal controls, which provides reasonable assessments of effective and efficient operations, internal financial controls and compliance with laws and regulations as well as internal procedures and guidelines.

Details of the Company's statement on risk management and internal control are set out on pages 33 and 34 of this Annual Report.

### Internal Audit Function

The Board acknowledges the responsibility of maintaining a good system of internal controls, including risk assessments, and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. This system, by its nature, can however only provide reasonable but not absolute assurance against misstatement, fraud or loss.

The Board is of the view that the current system of internal controls in place throughout the Group is sufficient to safeguard the Group's interests.

Details of the Company's internal audit function are set out in the statement on risk management and internal control on pages 33 and 34 of this Annual Report.

The Company's Internal Auditor has adopted the Committee of Sponsoring Organisations of the Treadway Commission (COSO) control framework throughout its audit implementation as a basis for assessing the adequacy and effectiveness of the Company's risk and control processes. The approach is in compliance with the Bursa Malaysia's Listing Requirement para 15.27(b) on the issuance of Statement of Risk Management & Internal Control.

The COSO framework included:

- a. Organisational Control Environment - provides an atmosphere in which people conduct their activities and carry out their control responsibilities. It serves as the foundation for the other components.
- b. Risk Assessment - within this environment, management assesses risks to the achievement of specific objectives.
- c. Control Activities - are implemented to help ensure that management directives to address the risks are carried out.

- d. Information & Communication - meanwhile, relevant information is captured and communicated throughout the organisation.
- e. Monitoring - the entire process is monitored and modified as conditions warrant.

The AC has discharged its function and carried out its duties as set out in the Terms of Reference ("TOR").

The TOR for AC was adopted on 29 November 2016 and is accessible through the Company's website at <http://www.peterlabs.com.my>.

The Group has outsourced its internal audit function to a professional service team i.e. the internal auditor.

The internal auditor reports directly to the AC on a quarterly basis by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by the internal auditor for the purpose of reporting at the subsequent AC meeting.

During the financial year ended 31 December 2019, the internal auditor reviewed the adequacy and integrity of the Group's system of internal control covering both financial as well as non-financial controls. The audits focused on key controls to manage risks, safeguard assets, secure the accuracy and reliability of records, comply with policies, procedures, laws and regulations and promote efficiency of operations. For year 2019, the cost incurred for internal audit function was RM26,400.

### **PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

#### **i. Communication with Stakeholders**

Ongoing engagement and communication with stakeholders build trust and understanding between the Company and its stakeholders. It provides stakeholders with a better appreciation of the Company's objectives and the quality of its management.

This in turn will assist stakeholders in evaluating the Company and facilitate shareholders to determine how their votes should be exercised. From the Company's perspective, it provides an avenue for invaluable feedback that can be used to understand stakeholders' expectations and develop business strategies.

The Board strives to comply with corporate disclosure requirements set by Bursa Securities and adopted the following forms of information disclosure:

- a. Continuous disclosure – the core disclosure obligation and primary method of informing the market and shareholders.
- b. Periodical disclosure – quarterly reporting of financial results, annual audited accounts and annual report.
- c. Specific information disclosure – as and when required, of administrative and corporate developments, usually in the form of Bursa releases.

All information made available to Bursa Securities is immediately available to shareholders, stakeholders and the public on the Company's Investor Relations section of the website, <http://www.peterlabs.com.my>.

#### **Leverage on Information Technology**

The Board continues to leverage the use of information technology to disseminate information to shareholders. The Group's website was developed and maintained by IT professional to ensure the website is up to date and secured. The website has a dedicated section to provide information such as the Board Charter, share price announcements made to Bursa Securities and copies of the annual report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## ii. **Conduct of General Meetings**

General meetings are important platforms for Directors and senior management to engage shareholders to facilitate greater understanding of the Company's business, governance and performance. This supports shareholders in exercising their ownership rights and expressing their views to the Board and senior management on any areas of concerns.

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's annual report twenty eight (28) days before the meeting. All shareholders are encouraged to participate in discussions with the Board on matters relating to the Group's operations and performance at the Company's AGM.

There were no substantive resolutions put forth for shareholders' approval at the previous AGM held on 30 May 2019. As such, all resolutions tabled for shareholders' approval were voted by way of poll.

The Group recognises the importance of keeping shareholders informed of the Group's business and corporate developments. Such information is disseminated via the Group's annual reports, quarterly financial results and announcements made from time to time. The Company's announcements made to Bursa Securities and other relevant information is also available at the Group's website at <http://www.peterlabs.com.my>.

## **COMPLIANCE WITH THE CODE**

The Board considers that the Group has substantially complied with the best practices as stipulated in the Principles and Recommendations of the MCCG 2017 throughout the financial year ended 31 December 2019.

This statement was approved by the Board on 18 June 2020.

# AUDIT COMMITTEE REPORT

## **MEMBERS OF AUDIT COMMITTEE**

The Audit Committee (“AC”) of PeterLabs Holdings Berhad (“PeterLabs” and “the Company”) is comprised wholly of Non-Executive Directors as follows:

**Prof. Dr. Paul Cheng Chai Liou**

Chairman, Senior Independent Non-Executive Director

**Dato’ Hon Choon Kim**

Member, Independent Non-Executive Chairman

**Encik Azman bin Abdul Jalil**

Member, Independent Non-Executive Director

Prof. Dr. Paul Cheng Chai Liou meets the requirement of Rule 15.09 (1)(c)(i) of ACE Market Listing Requirements (“AMLR”) in that he is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

## **SECRETARY**

The secretary to the AC is the Company Secretary of the Company.

## **TERMS OF REFERENCE**

The AC has discharged its function and carried out its duties as set out in the Terms of Reference (“TOR”).

The detailed TOR of the AC outlining the composition, duties and functions, authority and procedures of the AC are published and available on the Company’s website at <http://www.peterlabs.com.my>.

## **MEETINGS AND MINUTES**

### **Attendance at Meetings**

The record of attendance of the members of the AC for meetings held during the financial year ended 31 December 2019 (“FYE 2019”) are as follows:

	NO. OF AC MEETINGS HELD DURING MEMBER’S TENURE IN OFFICE	NO. OF AC MEETINGS ATTENDED BY MEMBER
Prof. Dr. Paul Cheng Chai Liou	5	5/5
Dato’ Hon Choon Kim	5	5/5
Encik Azman bin Abdul Jalil	5	5/5

The quorum of the meeting is two (2) who shall be Independent Non-Executive Directors.

### **Meetings**

The AC will meet at least four (4) times a year although additional meetings may be called at any time at the discretion of the Committee. The record of attendance of the members of the AC is shown above.

The meetings are pre-scheduled and are timed just before the Company’s Board of Directors’ (“Board”) meetings. The Agenda carries matters that need to be deliberated, reviewed or decided on and reported to the Board. Notices and AC papers are circulated to all members prior to the meeting with sufficient time allocated for them to prepare themselves for deliberation on the matters being raised.

# AUDIT COMMITTEE REPORT (CONT'D)

If the need arises, the Chairman has the discretion to call for the attendance of Management, internal auditors and external auditors during such meetings.

During its scheduled quarterly meetings, the AC shall review the risk management and internal control processes, the Interim and Year-end Financial Report, the Internal and External Audit Plans and Reports, Related Party Transactions ("RPT")/Recurrent Related Party Transactions ("RRPT"), and all other areas within the scope of responsibilities of the AC under its TOR.

## Minutes

The Company Secretary shall be the Secretary of the AC which shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes of the meetings are circulated to the Committee and to all members of the Board.

## OBJECTIVES AND AUTHORITY

### Objectives

The objectives of the AC are:

- i. To relieve the full Board from detailed involvement in the review of the results of internal and external audit activities and to ensure that audit findings are brought up to the highest level for consideration;
- ii. To comply with the AMLR and other specified financial standards, required disclosure policies, regulations, rules, directives or guidelines developed and administered by Bursa Securities; and
- iii. To provide forum for dialogue or meetings as a direct line of communication between the Board and the external auditors, internal auditors and Management.

### Authority of AC

The AC is authorised by the Board:

- i. To have explicit authority to investigate any matters within its terms of reference;
- ii. To have the resources which are required to perform its duties;
- iii. To have full, free and unrestricted access to the chief executive officer and chief financial officer and to any information, records, properties from both internal and external auditors and any employee(s) of the Group;
- iv. To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity, if any;
- v. To have the rights to obtain external legal or other independent professional advice whenever necessary in furtherance of their duties; and
- vi. To be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed company, whenever deemed necessary.

## Duties of the AC

The duties of the AC shall be:

- i. To recommend the nomination of person or persons as external auditors;
- ii. To consider the external auditors for appointment, audit fees and review any letter of resignation or dismissal and proposal for re-appointment of external auditors or whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment;
- iii. To review the nature and scope of the audit with the internal and external auditors before the audit commences and ensure co-ordination where more than one audit firm is involved;
- iv. To review the evaluation of the system of internal controls with the auditors;
- v. To review the assistance given by the Group's Management to the external auditors;
- vi. To review any appraisal or assessment of the performance of the internal auditors;
- vii. To review the quarterly results and annual financial statements, prior to the approval by the Board, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - any other significant and unusual events;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- viii. To review the external auditor's management letter and management's response;
- ix. To 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;
- x. To review the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- xi. To review and recommend to the Board the Corporate Governance ("CG") Overview Statement and Risk Management and Internal Control Statement in relation to internal control and the management of risk included in the annual report;
- xii. To consider the report, major findings and management's response on any internal investigations carried out by the internal auditors;
- xiii. To review the adequacy and effectiveness of risk management, internal control and governance systems;
- xiv. To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- xv. To carry out such other responsibilities, functions or assignments as may be defined jointly by the AC and the Board from time to time.

No member of the AC shall have a relationship which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the AC.

# AUDIT COMMITTEE REPORT (CONT'D)

## SUMMARY OF ACTIVITIES

In respect of the financial year ended 31 December 2019 ("FYE 2019"), the AC in discharging its duties and functions carried out activities which are summarised broadly as follows:

### a) Internal Audit

The AC is aware of the fact that an independent and adequately resourced internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the systems of internal control.

The Company engaged Messrs. OAC Consulting Sdn Bhd ("OAC") as outsourced Internal Auditors to carry out the internal audit function of the Group for the FYE 2019.

The internal auditor reports directly to the AC on a quarterly basis by presenting its Internal Audit Reports during the AC meetings, whereby relevant issues identified in the Internal Audit Reports will be discussed with the Management in the meeting. Rectification work, if necessary will be performed and follow-up will be carried out by internal auditor for the purpose of reporting at the subsequent AC meeting.

On 30 May 2019, OAC tabled the report for the AC's review covering the Warehouse / Logistic Department. The report focused on assessing the effectiveness of internal control and performing testing to ensure the internal controls have been complied with by the Warehouse / Logistic Department.

On 30 August 2019, OAC tabled a second report for AC's review covering the areas of Production Department. The report focused on the operations of HQ in Nilai and reported that the internal controls and procedures are generally functioning appropriately as intended and there were no major issues highlighted.

On 28 November 2019, OAC tabled a third report for AC's review covering the area in Invoicing / Customer Service. The report focused on assessing the effectiveness of internal control and performing testing to ensure the internal controls have been complied with by the Invoicing / Customer Service department.

On 27 February 2020, OAC tabled a fourth report for AC's review covering the area in Payment. The report focused on assessing the effectiveness of internal control and performing testing to ensure the internal controls have been complied with by Finance Department on payment process.

The reports outlined the audit objective, scope of work, source of information, restriction, conduct of internal audit, list of observation, risk status of findings together with the Internal Auditors' recommendations and the Management's response.

For year 2019, the cost incurred for internal audit function was RM26,400.

### b) Financial Reporting

In overseeing and discharging its responsibilities in respect of financial reporting, the AC:

- i. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The 1st, 2nd, 3rd and 4th Quarter Interim Financial Reports were tabled at the AC meetings held on 30 May 2019, 30 August 2019, 28 November 2019 and 27 February 2020;
- ii. Ensured the quarterly reports and Audited Financial Statements ("AFS") were prepared in compliance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), and the Requirements of the Companies Act, 2016 Malaysia while the quarterly reports took into consideration Rule 9.22 including Appendix 9B of the Listing Requirements;



- iii. Reviewed the various Board's Policies and Procedures, Board Charter, procedures for RRPT;
- iv. Reviewed the External Auditors' Audit Planning Memorandum ("APM") for the FYE 2019 which covered the engagement and reporting requirements, audit approach, areas of audit emphasis, significant events during the financial year, communication with the management, engagement team, the reporting and deliverables as well as the proposed audit fees;
- v. Reviewed the External Auditors' audit findings and recommendations and the AFS for the FYE 2019 on 17 March 2020;
- vi. Reviewed RPT/RRPT entered into by the Company and its subsidiaries during its AC meetings on 30 May 2019, 30 August 2019, 28 November 2019 and 27 February 2020;
- vii. Considered the performance of External Auditors, reviewed the independence of External Auditors and recommended to the Board for re-appointment;
- viii. To ensure the integrity of the financial information, received assurance from the Executive Directors and Executive Director in charge of Finance, that:-
  - Appropriate accounting policies had been adopted and applied consistently;
  - The going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
  - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
  - Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRSs and Listing Requirements; and
  - The consolidated AFS and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.
- ix. Reviewed the AC Report, CG Overview Statement, CG Report and Statement on Risk Management and Internal Control for publication in the 2019 Annual Report; and
- x. Reviewed the Statement of Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the Executive Directors and Executive Director in charge of Finance that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the Statement to the Board.

## c) External Audit

Messrs Grant Thornton Malaysia PLT ("GT") is the External Auditors for the Group and all its subsidiaries. GT led by their engagement partner presented their External APM for the Reviewed External Auditors' APM for the FYE 2019 on 28 November 2019 and had declared and confirmed that they were independent and would be independent throughout their audit engagement.

During the FYE 2019, the AC met with the External Auditors in the absence of Management on one occasion during 28 March 2019. The AC had the opportunity to assess the co-operation extended by the Management to the External Auditors, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources in the Group's Finance Department.

There were no areas of major concern raised by GT that warranted escalation to the Board. The External Auditors were also informed by the AC that should there be any significant incidents or matters detected in the course of their audits or reviews which warrant their knowledge or intervention, it shall be reported to the AC accordingly.

The non-audit fees payable to the External Auditors amounting to RM24,100 for the FYE 2019. The non-audit fees were in respect of services rendered in respect of tax compliance, review of the Statement on Risk Management and Internal Control.

## AUDIT COMMITTEE REPORT (CONT'D)

The AC carried out an assessment of the performance and suitability of GT based on the quality of services and relationship with Management, AC, Internal Auditors and Board. The AC has been generally satisfied with the independence, performance and suitability of GT based on the assessment and are recommending to the Board and shareholders for approval for the reappointment of GT as External Auditors for the Financial Year Ending 31 December 2020.

### **CG PRACTICES**

Apart from discharging its duties with respect to the internal audit, financial reporting and external audit, the AC also reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the principles and spirit set out in the Malaysian Code on CG, other applicable laws, rules, directives and guidelines.

The AC discussed and reviewed the CG Overview Statement and CG Report for the FYE 2019.

The statement was approved by the Board on 18 June 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Board Responsibility

The Board of Directors is responsible for determining the nature and extent of the significant risks that the Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit Committee, it carries out a review of the effectiveness of the Group's risk management and internal control systems and reports to the Board of Directors on quarterly basis that it has done so. Such review covers all materials controls including financial, operations, management information systems and compliance controls and risk management systems.

The Group maintains its systems of risk management and internal control with a view to safeguard assets of the Group and shareholders' interest, to identify and manage risks affecting the Group, to ensure compliance with regulatory requirements and to ensure operational results are closely monitored and substantial variances are promptly explained.

The Board of Directors is aware of the limitations that are inherent in any systems of internal control and risk management, as such systems being designed to manage, rather than eliminate, the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide a reasonable combination of preventive, detective and corrective measures but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

The Group's risk management and internal control framework is an ongoing process, and has been in place for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

## Risk Management Framework

The Group has an embedded process for the identification, evaluating, reporting, treatment, monitoring and reviewing of the major strategic, business and operation risks within the Group, covering both wholly and partially owned subsidiaries. Risk registers, based on a standardised methodology, are used at the Group to identify, assess and monitor the key risks faced by the Group. Information based on prevailing trends, for example whether a risk is considered to be increasing or decreasing over time, is provided in relation to each risk and all identified risks are assessed at four levels (significant/high/moderate/low) by reference to their impact and likelihood. Mitigation plans are required to be in place to manage the risks identified. The mitigation plans are reviewed on a regular basis.

## Internal Audit Structure

The Group has outsourced its internal audit function to a professional service team. The internal audit function reports directly to the Audit Committee. Four (4) reports on the internal audit findings were issued to the Audit Committee during the year. The internal audit function reviews critical business processes and identifies internal controls gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process.

The internal audit plays a critical role in the objective assessment of the Group's business processes by providing the Audit Committee with reasonable independent assurance on the effectiveness and integrity of the Group's system of risk management and internal control.

## Organisation Structure

Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Management of the Group and to the Board of Directors. The Group's delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require the Board's approval.

## Financial Reporting Controls

The Group has defined policies, practices and controls to ensure the reporting of complete and accurate financial information. These procedures and controls include obtaining authority for transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and tagging.

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

## **Operational Monitoring and Controls**

The monitoring and control procedures, which are incorporated into day to day operational procedures, are regularly reviewed by the Executive Directors responsible for reporting to the Board. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business and independently reported to the Audit Committee of the outcome and findings.

## **Performance Measurement Controls**

The Group has in place a proper control environment which emphasizes on quality and performance of the Group's employees through the development and implementation of human resource policies and programmes designed to enhance the effectiveness and efficiency of the individual and the organisation.

Annual training and appraisal systems are also implemented for the employees at all levels within the Group to ensure continuous assessment on the employees' performance is carried out.

## **Conclusion**

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control for the financial year under review. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

The Board has received assurance from the Executive Directors that the Company's risk management and internal control system is in place and operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. Nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties that would require separate disclosure in the audited financial statements. Notwithstanding this, the Board will continue to ensure that the Group's system of internal control and risk management continuously adapt to changes in the business environment.

The Board is satisfied that the system of risk management and internal control is in accordance with the MCOG.

As required by paragraph 15.23 of AMLR, the external auditor has reviewed this Statement on Risk Management and Internal Control.

This Statement was approved by the Board on 18 June 2020.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia and to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:

- (a) selected suitable accounting policies and applied them consistently;
- (b) ensured that all applicable accounting standards have been followed;
- (c) made judgements and estimates that are reasonable and prudent; and
- (d) prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made the necessary enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility in ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and which enable them to ensure that the financial statements is in compliance with the Companies Act, 2016, the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the AMLR.

The Directors have the overall responsibilities for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# ADDITIONAL COMPLIANCE INFORMATION

The following additional compliance information is provided in accordance with Rule 9.25 of the AMLR:

**1. Material Contracts**

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests still subsisting at the end of the financial year or entered into since the end of the previous financial year.

**2. Contract Relating To Loan**

There were no contracts relating to loan by the Company and its subsidiaries in respect of the preceding item.

**3. Audit and Non-audit Fees**

There were audit fees of RM67,600 and non-audit fees of RM24,100 payable to the external auditors by the Group in providing their taxation services and reviewing of the Statement on Risk Management and Internal Control for the financial year ended 31 December 2019.

**4. Utilisation of Proceeds Raised From Corporate Proposal**

There were no corporate proposals implemented during the financial year ended 31 December 2019.

**5. Deferment of Annual General Meeting**

As a consequence of the implementation of Movement Control Order ("MCO") and conditional MCO until 9 June 2020, the 2020 AGM of the Company will be deferred to a future date to be determined.

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

## FINANCIAL RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit/(Loss) for the financial year	4,275,310	(643,199)
Attributable to:- Owners of the Company	4,275,310	(643,199)

## DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

The Directors do not recommend any final dividend payment for the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.



## **DIRECTORS**

The Directors who held office during the financial year and up to the date of this report are as follows:-

Dato' Hon Choon Kim (Independent Non-Executive Chairman)  
Lim Tong Seng (Managing Director)\*  
Teo Chin Heng (Executive Director)\*  
Lau Yeng Khuan (Executive Director)  
Yap Siaw Peng (Executive Director)  
Prof. Dr. Paul Cheng Chai Liou (Senior Independent Non-Executive Director)  
Dr. Vijaya Raghavan A/L M P Nair (Independent Non-Executive Director)  
Azman Bin Abdul Jalil (Independent Non-Executive Director)  
Datuk Wira Dr. Goy Hong Boon (Executive Director cum Deputy Chairman resigned on 28 February 2020)  
Lau Kin Wai (Non-Independent Non-Executive Director resigned on 29 May 2019)

### **\* Director of the Company and of all the subsidiaries**

The Directors of subsidiaries who held office during the financial year and up to the date of this report are as follows:-

Dr. Teo Kooi Cheng  
Kho Siaw Sua  
Lau Yeng Khuan  
Chan Bee Chuan (Resigned on 2 December 2019)  
Lim Swee Hwa (Resigned on 2 December 2019)

In accordance with Clause 134 of the Company's Constitution, Lau Yeng Khuan, Azman Bin Abdul Jalil and Dato' Hon Choon Kim will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## **DIRECTORS' FEES AND BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects 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.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the Notes to 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.

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 26 to the Financial Statements.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests in the share of the Company and its related corporations of those who were Directors at the end of the financial year are as follows:-

### Directors of the Company

	← Ordinary shares →			At 31.12.2019
	At 1.1.2019	Bought	Sold	
<b>Interest in the Company</b>				
<b>Direct interest</b>				
Lim Tong Seng	12,943,238	-	-	12,943,238
Teo Chin Heng	20,630,109	640,000	-	21,270,109
Lau Yeng Khuan	6,900,645	270,000	-	7,170,645
Azman Bin Abdul Jalil	30,000	170,000	-	200,000
Yap Siaw Peng	1,000,000	350,058	-	1,350,058
<b>Indirect interest</b>				
Dato' Hon Choon Kim (Deemed interest by virtue of the shares held by his spouse)	50,000	-	-	50,000
Yap Siaw Peng (Deemed interest by virtue of the shares held by her spouse)	350,058	-	(350,058)	-
Datuk Wira Dr. Goy Hong Boon (Deemed interest by virtue of the shares held by his spouse)	3,466,800	-	-	3,466,800

Other than the above, no other Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

## ISSUE OF SHARES AND DEBENTURES

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

## **OTHER STATUTORY INFORMATION**

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and all known bad debts had been written off; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors were not aware of any circumstances:-

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

# DIRECTORS' REPORT (CONT'D)

## **OTHER STATUTORY INFORMATION (CONT'D)**

In the opinion of the Directors:-

- (a) no contingent or other liability 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 affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

The amount of indemnity coverage and insurance premium paid for Directors and officers of the Group and of the Company during the financial year are disclosed in Note 26 to the Financial Statements.

## **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The significant event during the financial year are disclosed in Note 34 to the Financial Statements.

**AUDITORS**

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia PLT, as remuneration for their services as auditors of the Company and of its subsidiaries for the financial year ended 31 December 2019 amounted to RM19,400 and RM52,600 respectively.

The Company has agreed to indemnify the Auditors, Messrs Grant Thornton Malaysia PLT as permitted under Section 289 of the Companies Act, 2016 in Malaysia.

The Auditors, Messrs Grant Thornton Malaysia PLT, have expressed their willingness to continue in office.

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

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LIM TONG SENG )  
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YAP SIAW PENG )

DIRECTORS

Kuala Lumpur  
17 March 2020

# STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 50 to 113 are properly 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 at 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 Board of Directors.

.....  
LIM TONG SENG

.....  
YAP SIAW PENG

Kuala Lumpur  
17 March 2020

## STATUTORY DECLARATION

I, Thong Swee Hean, being the officer primarily responsible for the financial management of PeterLabs Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 50 to 113 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed at Kuala Lumpur in )  
the Federal Territory this day of )  
17 March 2020 )

.....  
THONG SWEE HEAN  
(MIA NO. 17380)

Before me:

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of PeterLabs Holdings Berhad, which comprise the statements of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 113.

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 cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independent and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Inventories valuation*

##### **The risk**

Refer to Note 7 to the Financial Statements. The Group holds significant amount of inventories that amounted to RM14,549,564 which are subjected to a risk that the inventories become slow-moving or obsolete and rendering them not saleable or can only be sold for selling prices that are less than their carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence provision and in making an assessment of their adequacy due to risk of inventories not stated at the lower of costs or market values.

##### **Our response**

For inventories, we tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions made. In doing so, we obtained the ageing profile of inventories and obtained understanding on the process for identifying specific problem inventories and historic loss rates.

#### *Provision for expected credit losses ("ECLs") for trade receivables*

##### **The risk**

Refer to Note 8 to the Financial Statements. We focused on this area because the Group has material amount of trade receivables that amounted to RM26,347,550. The adequacy of assessment on recoverability of trade receivables require the use of estimates and judgements of the management. The Group applies a simplified approach in calculating provision for expected credit losses ("ECLs"). Therefore, the Group does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Group considers amongst others, its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### **Our response**

We have challenged the management's estimates in provision rate used to provide ECLs allowance on trade receivables. This includes reviewing the ageing of receivables and testing the integrity of ageing. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant control procedures that management has put in place.



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

### Key Audit Matters (cont'd)

#### *Revenue recognition*

##### **The risk**

Refer to Note 19 to the Financial Statements. We focus on this area given the magnitude of revenue transaction that occurred. Under MFRS 15 Revenue from contracts with customers, revenue is recognised through a five steps model by identifying the contracts, identifying performance obligation, determine transaction price, allocate transaction price to performance obligation and recognise revenue.

##### **Our response**

We evaluated and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also tested journal entries posted to revenue accounts to identify unusual or irregular items.

We understood and reviewed the appropriateness of revenue recognition policies.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

### Information other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprise 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, which we obtained prior to the date of this auditors' report, and the remaining other information expected to be included in the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information 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 other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information expected to be included in the annual report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

### 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 MFRSs, IFRSs 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 Group's and the Company's ability 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.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

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

### 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, 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 Group's and of the Company's internal control.
- 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 Group's or the Company's ability 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 achieves fair presentation.
- 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.

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

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

We communicated 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 identified during our audit.

We also provided to the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicated 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 financial 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**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.

GRANT THORNTON MALAYSIA PLT  
(201906003682 & AF 0737)  
CHARTERED ACCOUNTANTS

OOI POH LIM  
(NO: 03087/10/2021 J)  
CHARTERED ACCOUNTANT

Kuala Lumpur  
17 March 2020

# STATEMENTS OF FINANCIAL POSITION

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	16,630,501	17,677,866	-	-
Investment in subsidiaries	6	-	-	27,825,900	17,299,900
Total non-current assets		<u>16,630,501</u>	<u>17,677,866</u>	<u>27,825,900</u>	<u>17,299,900</u>
<b>Current assets</b>					
Inventories	7	14,549,564	25,478,194	-	-
Trade receivables	8	26,347,550	23,079,199	-	-
Other receivables	9	390,020	810,091	11,208	11,208
Amount due from a subsidiary	6	-	-	148	11,328,153
Tax recoverable		38,739	168,811	709	3,182
Cash and bank balances	10	14,775,129	5,594,854	431,788	12,216
Total current assets		<u>56,101,002</u>	<u>55,131,149</u>	<u>443,853</u>	<u>11,354,759</u>
<b>TOTAL ASSETS</b>		<u><u>72,731,503</u></u>	<u><u>72,809,015</u></u>	<u><u>28,269,753</u></u>	<u><u>28,654,659</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company:-</b>					
Share capital	11	27,459,485	27,459,485	27,459,485	27,459,485
Unappropriated profits	12	25,010,924	20,803,586	398,906	1,042,105
Total equity		<u>52,470,409</u>	<u>48,263,071</u>	<u>27,858,391</u>	<u>28,501,590</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Finance lease liabilities	13	-	917,664	-	-
Lease liabilities	14	1,133,572	-	-	-
Borrowings	15	15,761	3,444,557	-	-
Deferred tax liabilities	16	350,000	440,000	-	-
Total non-current liabilities		<u>1,499,333</u>	<u>4,802,221</u>	<u>-</u>	<u>-</u>

## STATEMENTS OF FINANCIAL POSITION (CONT'D)

### STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONT'D)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>EQUITY AND LIABILITIES (CONT'D)</b>					
<b>LIABILITIES (CONT'D)</b>					
<b>Current liabilities</b>					
Trade payables	17	5,850,316	7,786,724	-	-
Other payables	18	5,192,312	5,990,951	411,362	153,069
Finance lease liabilities	13	-	403,706	-	-
Lease liabilities	14	592,937	-	-	-
Borrowings	15	6,791,510	4,964,556	-	-
Tax payable		334,686	597,786	-	-
		18,761,761	19,743,723	411,362	153,069
Total current liabilities		18,761,761	19,743,723	411,362	153,069
<b>TOTAL LIABILITIES</b>		<b>20,261,094</b>	<b>24,545,944</b>	<b>411,362</b>	<b>153,069</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>72,731,503</b>	<b>72,809,015</b>	<b>28,269,753</b>	<b>28,654,659</b>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	19	96,233,929	90,419,449	-	-
Cost of sales		<u>(78,268,795)</u>	<u>(72,809,603)</u>	-	-
Gross profit		17,965,134	17,609,846	-	-
Other income	20	1,296,427	732,878	3,600	1,000
Selling and distribution expenses		(3,319,647)	(3,260,878)	-	-
Administrative expenses		(8,885,635)	(8,598,974)	(646,799)	(315,472)
Other expenses	21	<u>(825,480)</u>	<u>(236,405)</u>	-	-
Operating profit/(loss)		6,230,799	6,246,467	(643,199)	(314,472)
Finance costs	22	<u>(522,693)</u>	<u>(797,153)</u>	-	-
Profit/(Loss) before tax	23	5,708,106	5,449,314	(643,199)	(314,472)
Tax (expense)/income	24	<u>(1,432,796)</u>	<u>(1,651,784)</u>	-	1
Profit/(Loss) for the financial year		4,275,310	3,797,530	(643,199)	(314,471)
Other comprehensive income, net of tax		-	-	-	-
Total profit/(loss) and total comprehensive income/(loss) for the financial year		<u>4,275,310</u>	<u>3,797,530</u>	<u>(643,199)</u>	<u>(314,471)</u>
Earnings per share attributable to owners of the Company	25				
- Basic (sen)		<u>1.99</u>	<u>1.77</u>		
- Diluted (sen)		<u>N/A</u>	<u>N/A</u>		

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

# STATEMENTS OF CHANGES IN EQUITY

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	← Attributable to owners of the Company →		
	Non-distributable Share <u>capital</u> RM	Distributable Unappropriated <u>profits</u> RM	Total <u>equity</u> RM
<b>Group</b>			
Balance at 1 January 2018	27,459,485	18,294,495	45,753,980
Total comprehensive income for the financial year	-	3,797,530	3,797,530
<b>Transaction with owners:-</b>			
In respect of the financial year ended 31 December 2017: - Dividend of 0.6 sen per share, paid on 9 February 2018	-	(1,288,439)	(1,288,439)
Total transaction with owners	-	(1,288,439)	(1,288,439)
Balance at 31 December 2018	27,459,485	20,803,586	48,263,071
Effect of adoption of MFRS 16	-	(67,972)	(67,972)
Balance at 1 January 2019	27,459,485	20,735,614	48,195,099
Total comprehensive income for the financial year	-	4,275,310	4,275,310
Balance at 31 December 2019	<u>27,459,485</u>	<u>25,010,924</u>	<u>52,470,409</u>

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	← Attributable to owners of the Company →		
	Non-distributable Share capital RM	Distributable Unappropriated profits RM	Total RM
<b>Company</b>			
Balance at 1 January 2018	27,459,485	2,645,015	30,104,500
Total comprehensive loss for the financial year	-	(314,471)	(314,471)
<b>Transaction with owners:-</b>			
In respect of the financial year ended 31 December 2017: - Dividend of 0.6 sen per share, paid on 9 February 2018	-	(1,288,439)	(1,288,439)
Total transaction with owners	-	(1,288,439)	(1,288,439)
Balance at 31 December 2018	27,459,485	1,042,105	28,501,590
Total comprehensive loss for the financial year	-	(643,199)	(643,199)
Balance at 31 December 2019	27,459,485	398,906	27,858,391

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



# STATEMENTS OF CASH FLOWS

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		5,708,106	5,449,314	(643,199)	(314,472)
<b>Adjustments for:-</b>					
Bad debts written off		140,018	13,041	-	-
Depreciation of property, plant and equipment		1,983,229	1,749,478	-	-
Gain on disposal of property, plant and equipment		-	(17,394)	-	-
Allowance for expected credit losses		5,212	37,058	-	-
Interest expenses		522,693	797,153	-	-
Interest income		(142,019)	(93,929)	(3,600)	(1,000)
Inventories written down		522,502	2,119	-	-
Written off on property, plant and equipment		-	1,367	-	-
Reversal of inventories written down		(111,768)	(54,121)	-	-
Unrealised gain on foreign exchange		(28,428)	(34,892)	-	-
Operating profit/(loss) before working capital changes		8,599,545	7,849,194	(646,799)	(315,472)
Changes in working capital:-					
Inventories		10,517,896	(8,187,615)	-	-
Receivables		(2,995,377)	1,977,424	-	2,042
Payables		(2,714,565)	5,299,985	258,293	(3,031)
Bills payables		(1,106,397)	(3,429,452)	-	-
Cash generated from/(used in) operations		12,301,102	3,509,536	(388,506)	(316,461)
Tax paid		(1,826,937)	(1,618,444)	(709)	(1,608)
Tax refunded		171,113	-	3,182	-
Interest paid		(219,129)	(417,072)	-	-
Interest received		142,019	93,929	3,600	1,000
Net cash from/(used in) operating activities		10,568,168	1,567,949	(382,433)	(317,069)
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	A	(22,126)	(201,279)	-	-
Proceeds from disposal of property, plant and equipment		-	67,436	-	-
Net cash used in investing activities		(22,126)	(133,843)	-	-

# STATEMENTS OF CASH FLOWS (CONT'D)

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>FINANCING ACTIVITIES</b>					
Repayment from/(Advances to) a subsidiary		-	-	802,005	(1,210,000)
Dividend paid		-	(1,288,439)	-	(1,288,439)
Interest paid		(303,564)	(380,081)	-	-
Drawdown of revolving credits	<b>B</b>	3,348,708	-	-	-
Repayment of finance lease liabilities	<b>B</b>	-	(344,343)	-	-
Repayment of lease liabilities	<b>B</b>	(576,571)	-	-	-
Repayment of structured commodity financing	<b>B</b>	(3,322,303)	(393,356)	-	-
Repayment of term loans	<b>B</b>	(521,850)	(490,761)	-	-
Net cash used in/(from) financing activities		<u>(1,375,580)</u>	<u>(2,896,980)</u>	<u>802,005</u>	<u>(2,498,439)</u>
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		9,170,462	(1,462,874)	419,572	(2,815,508)
Effect of exchange rate changes		9,813	24,922	-	-
Brought forward		<u>5,594,854</u>	<u>7,032,806</u>	<u>12,216</u>	<u>2,827,724</u>
Carried forward		<u>14,775,129</u>	<u>5,594,854</u>	<u>431,788</u>	<u>12,216</u>

### NOTES TO THE STATEMENTS OF CASH FLOWS

#### A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total purchases of property, plant and equipment	107,126	767,862	-	-
Less: Acquisition by means of finance lease liabilities	-	(566,583)	-	-
Less: Acquisition by means of lease liabilities	(85,000)	-	-	-
Total cash used in purchase of property, plant and equipment	<u>22,126</u>	<u>201,279</u>	<u>-</u>	<u>-</u>

# STATEMENTS OF CASH FLOWS (CONT'D)

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

#### B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Finance lease liabilities RM	Lease liabilities RM	Revolving credits RM	Structured commodity financing RM	Term loan RM	Total RM
Balance at 1 January 2018	1,099,130	-	-	3,715,659	1,577,174	6,391,963
Net cash flows	(344,343)	-	-	(393,356)	(490,761)	(1,228,460)
Non-cash changes	566,583	-	-	-	-	566,583
Balance at 31 December 2018	1,321,370	-	-	3,322,303	1,086,413	5,730,086
Effect of adoption of MFRS 16	(1,321,370)	2,218,080	-	-	-	896,710
Balance at 1 January 2019	-	2,218,080	-	3,322,303	1,086,413	6,626,796
Net cash flows	-	(576,571)	3,348,708	(3,322,303)	(521,850)	(1,072,016)
Non-cash changes	-	85,000	-	-	-	85,000
Balance at 31 December 2019	-	1,726,509	3,348,708	-	564,563	5,639,780

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) and the principal place of business of the Company is located at Lot 16014 (PT No. 24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan Darul Khusus.

The Company is principally engaged in investment holding activities.

The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements. There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 17 March 2020.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1 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 ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

### 2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.4 MFRSs

#### 2.4.1 Adoption of new or revised MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the prior financial year except for the adoption of new and revised MFRSs on MFRS 16: Leases. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting MFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current year. Prior years have not been restated.

The Group and the Company have elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of MFRS 16, being 1 January 2019. At this date, the Group and the Company have also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group and the Company have relied on their historical assessment to whether leases are onerous immediately before the date of initial application of MFRS 16.

On transition, for leases previously accounted for as operating lease with a remaining lease term of less than 12 months and for leases of low-value assets the Group and the Company have applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under MFRS 117 immediately before the date of initial application.

The Group and the Company have benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The explanation on adoption of new and revised MFRSs is disclosed in Note 4 to the Financial Statements.

Several other amendments are effective for the first time in financial year ended 31 December 2019. However, they do not have any impact to the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.4 MFRSs (cont'd)

#### 2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been early adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and of the Company.

### 2.5 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Useful lives of depreciable assets**

The management estimates the useful lives of the property, plant and equipment to be within 2 to 50 years and reviews the useful lives of depreciable assets at each reporting period. The management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and developments, which may result in an adjustment to the Group's assets.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

[Key sources of estimation uncertainty \(cont'd\)](#)

#### Useful lives of depreciable assets (cont'd)

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimation hence it would not result in Group's profit for the financial year.

The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 5 to the Financial Statements.

#### Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

#### Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The Group's business is subject to economic and technological changes which may cause selling price to change rapidly, and as a result may impact on the Group's earnings.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation. Hence it would not result in material variance in the Group's profit for the financial year.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 7 to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

[Key sources of estimation uncertainty \(cont'd\)](#)

#### **Provision for expected credit losses ("ECLs") of trade and other receivables**

Credit losses are the differences between all contractual cash flows of the Group and of the Company are due and the cash flows that it actually expects to receive. An ECLs is the probability-weighted estimate of credit losses which requires the Group's and the Company's judgement. The ECLs are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group and the Company use a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for grouping of various customer/debtor segments that have similar loss patterns such as geography, customer/debtor type and rating, and coverage by letters of credit and other forms of credit insurance.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs are significant estimate. The amount of ECLs are sensitive to changes in circumstances and forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future.

The carrying amount of the Group's and the Company's receivables at the end of the reporting year is disclosed in Notes 8 and 9 to the Financial Statements.

#### **Income tax/Deferred tax liabilities**

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.



## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### 2.5 Significant accounting estimates and judgements (cont'd)

#### Key sources of estimation uncertainty (cont'd)

##### **Leases**

As a lessee, the Group is subject to increase in rental throughout the lease period, as imposed by the landlord. The management uses all currently available information to develop an estimate of the expected increase in rental, and reflects such estimates within the right-of-use asset and lease liability calculations. If a reliable estimate is not available, the management analyses historical increases in rental, and prudently assumes that the rental will continue to increase at such a rate.

#### Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

##### **Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances, unutilised reinvestment allowances and unused tax credits to the extent that it is probable that future taxable profits will be available against which all deductible temporary differences, unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

##### **Leases**

In applying MFRS 16, management uses judgement in determining the rate to discount the lease payments and assess whether a right-of-use asset is impaired. Furthermore, the Group estimates the lease term and reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances.

In most cases, determining the appropriate discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In assessing the lease term and any the likelihood of any extensions or early terminations, the management monitors the cash inflows from each right-of-use asset and evaluates whether such extensions or early terminations would lead to economic benefits for the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Group and Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

### 3.1 Consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company 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. Besides, the Group or the Company 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 affects the investee's returns.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

#### 3.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting year.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.15 of the Financial Statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### 3.1.2 Basis of consolidation (cont'd)

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### 3.1.3 Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the fair value at acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRSs.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### 3.1.3 Business combination (cont'd)

Any excess of the sum of fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. For instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

#### 3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### 3.2 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. 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. All other repair and maintenance costs are recognised in profit or loss as incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 Property, plant and equipment (cont'd)

Depreciation is recognised on a straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Buildings	2%
Motor vehicles	20%
Plant and machinery	10%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Air-conditioners	10%
Renovation	5%
Laboratory	10%
Factory	11%
Hostels	33% - 50%

Capital work-in-progress consists of plant and machinery under installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under installation until the property, plant and equipment are ready for their intended use. Assets under installation are not depreciated until they are completed and ready for their intended use.

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

#### 3.3 Inventories

Inventories, comprising raw materials, finished goods and trading goods are stated at the lower of cost and net realisable value ("NRV") after adequate specific write down has been made by the Directors for deteriorated, obsolete and slow-moving inventories.

Cost of raw materials is determined by using the weighted average method. The cost of raw materials and consumables comprise cost of purchase plus the cost of bringing the inventories to their present condition and location.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Inventories (cont'd)

Cost of finished goods is determined by using first-in-first-out method. Cost of finished goods comprises direct materials, direct labour, other direct costs and appropriate proportions of production overheads based on normal operating capacity.

Cost of trading goods is determined by using first-in-first-out method. Cost includes the original purchase price plus direct cost of bringing these inventories to their present condition and location.

NRV represents estimated selling price in the ordinary course of business less estimated selling and distribution costs.

When inventories are sold and revenue is recognised, the carrying amount of those inventories are recognised as cost of sales. Amount written down to NRV and inventory losses are recognised as expenses when it occurs and any reversal is recognised in the profit or loss in the period in which the reversal occurs.

### 3.4 Leases

#### 3.4.1 Leases classified under MFRS 16

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### 3.4.1.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### 3.4.1.2 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Factory 9 years
- Hostel 2-3 years
- Motor vehicles 5 years

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.4 Leases (cont'd)**

##### **3.4.1 Leases classified under MFRS 16 (cont'd)**

##### **3.4.1.2 Right-of-use assets (cont'd)**

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.5 Impairment of non-financial assets.

##### **3.4.1.3 Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

##### **3.4.2 Leases classified under MFRS 117**

##### **3.4.2.1 Finance leases**

Property, plant and equipment acquired under lease arrangements which transfer substantially all the risks and rewards of ownership to the Group is classified as finance leases. The leased asset is measured at fair value of the leased asset or, if lower, at the present value of the minimum lease payments at inception. Initial direct costs are added to the amount recognised above. Leased asset is accounted in accordance with accounting policy applicable to that asset.

Leased payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Outstanding obligation due under finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease arrangements are allocated to profit or loss over the period of respective agreements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Leases (cont'd)

#### 3.4.2 Leases classified under MFRS 117 (cont'd)

##### 3.4.2.1 Finance leases (cont'd)

Leasehold land which in substance is a finance lease is classified as investment property if held to earn rental income or for capital appreciation or for both.

##### 3.4.2.2 Operating leases

Leases where the Group does not assume substantially all the risk and benefits of ownership are classified as operating lease, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or capital appreciation or both, is classified as investment property and measured using fair value model.

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

### 3.5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

### 3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.



## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### 3.6.1 Financial assets

##### 3.6.1.1 Initial recognition and categorisation

At initial recognition, financial assets are either classified and measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At the reporting date, the Group and the Company have not designated any financial assets at FVTOCI and FVTPL. The Group and the Company carry only amortised cost on their statements of financial position.

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the conditions are met:-

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

##### 3.6.1.2 Subsequent measurement

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include cash and bank balances, trade receivables, other receivables and amount due from a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### 3.6.2 Impairment of financial assets

The Group and the Company assess on a forward-looking basis the expected credit loss ("ECLs") for all debt instrument not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that Group and Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs are the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

ECLs are measured on either of the following bases:-

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting year; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms to which ECL model applies.

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognised an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.6 Financial instruments (cont'd)

##### 3.6.3 Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at FVTPL.

At the reporting date, the Group and the Company have not designated any financial liabilities at FVTPL. The Group and the Company carry only other financial liabilities measured at amortised cost on their statements of financial position.

##### Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities include borrowings, trade and most of the other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

##### Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting year and the amount recognised less cumulative amortisation.

##### 3.6.4 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 has expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interest in the asset and associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of transferred assets, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### 3.6.4 Derecognition (cont'd)

The Group and the Company derecognise a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### 3.6.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.7 Revenue recognition

#### 3.7.1 Revenue from contracts with customers

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this standard:-

- i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
- v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.7 Revenue recognition (cont'd)

##### 3.7.1 Revenue from contracts with customers (cont'd)

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:-

- i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform the obligation.

For performance obligations where any one of the above conditions not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:-

##### Sales of goods

All revenue is recognised at a point in time, which is typically on delivery of the goods. Goods are sold when the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and taxes. The Group shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 19 to the Financial Statements.

##### 3.7.2 Revenue from other source

##### Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis using effective interest method in profit or loss.

#### 3.8 Foreign currency translation

The Group's consolidated financial statements are presented in RM, which is also the Company's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Foreign currency translation (cont'd)

Transactions in foreign currencies are recorded in the respective functional currency of the Company and its subsidiaries at exchange rates approximating those ruling at the date of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date. Non-monetary items that are measured at historical cost are translated at the dates of the initial transactions and those items measured at fair value in foreign currency are translated at the date when the fair value was determined.

Gains and losses resulting from settlement of such transactions and conversion of short term assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

### 3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.10 Equity, reserves and distribution to owners

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Unappropriated profits include all current and prior years' profits.

Interim dividends are simultaneously proposed and declared because the Articles of Association of the Company grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

All transactions with owners of the Company are recorded separately within equity.

### 3.11 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Provisions (cont'd)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.12 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

### 3.13 Borrowing costs

Borrowing costs are recognised as an expense in profit or loss in the year in which they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

### 3.14 Employee benefits

#### 3.14.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees which increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

#### 3.14.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expenses in profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Tax expenses

Tax expenses comprise current tax 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.

#### 3.15.1 Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised in financial position as liability (or asset) to the extent that it is unpaid (or refundable).

#### 3.15.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and 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 year.

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 liabilities and assets 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 year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 3.15.3 Indirect tax

Supply of goods and services in Malaysia and other jurisdiction is subject to Sales and Services Tax ("SST").

The net amount of such taxes recoverable from, or payable to, the relevant authorities is included as part of "other receivables" or "other payables" in the statement of financial position.

Revenues, expenses and assets are recognised net of the amount of such taxes. If such taxes incurred on the purchase of assets is not recoverable from the authorities, such taxes incurred are recognised as part of the cost of acquisition of the asset.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.16 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are show in Note 33 to the Financial Statements.

#### 3.17 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

- (i) Has control or joint control over the Group; or
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the corporate shareholders of the Group, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the corporate shareholders of the Group or the entity.
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.18 Earnings per ordinary share

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

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 year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the year.

## 4. CHANGES IN ACCOUNTING POLICIES

### 4.1 MFRS 16 Leases

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Impact on lessee accounting

MFRS 16 changes how the Group account for leases previously classified as operating leases under MFRS 117, which were off-balance-sheet.

Applying MFRS 16, for all leases (except as noted below), the Group:-

- recognises right-of-use assets as part of property, plant and equipment and lease liabilities in the statements of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the profit or loss; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

### 4.1 MFRS 16 Leases (cont'd)

#### Impact on lessee accounting (cont'd)

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

The impact on adoption of MFRS 16 is disclosed in Notes 5 and 14 to the Financial Statements.

#### 4.1.1 Reconciliation of statements of financial position

Group	As previously reported RM	MFRS 16 adjustments RM	Reclassification RM	As restated RM
<b>1.1.2019</b>				
<b>Non-current asset</b>				
Property, plant and equipment	17,677,866	828,738	-	18,506,604
<b>Non-current liabilities</b>				
Lease liabilities	-	1,583,662	59,815	1,643,477
Finance lease liabilities	917,664	(857,849)	(59,815)	-
<b>Current liabilities</b>				
Lease liabilities	-	522,159	52,444	574,603
Finance lease liabilities	403,706	(351,262)	(52,444)	-
<b>Equity</b>				
Unappropriated profits	20,803,586	(67,972)	-	20,735,614

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Motor vehicles	Plant and machinery	Office equipment	Computer equipment	Capital work-in-progress	Furniture and fittings	Air - conditioners	Renovation	Laboratory	Factory	Hostel	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2018	1,467,419	10,717,988	1,591,660	9,002,209	200,285	77,825	160,000	115,200	94,403	217,430	553,717	-	-	24,198,136
Additions	-	-	612,987	121,275	-	-	-	-	-	-	33,600	-	-	767,862
Reclassification	-	-	-	160,000	-	-	(160,000)	-	-	-	-	-	-	-
Disposals	-	-	(78,950)	(43,850)	-	-	-	-	-	-	-	-	-	(122,800)
Written off	-	-	-	(5,125)	-	-	-	-	-	-	-	-	-	(5,125)
At 31 December 2018	1,467,419	10,717,988	2,125,697	9,234,509	200,285	77,825	-	115,200	94,403	217,430	587,317	-	-	24,838,073
Adjustment on transition to MFRS 16*	-	-	-	-	-	-	-	-	-	-	-	1,251,626	81,348	1,332,974
At 1 January 2019	1,467,419	10,717,988	2,125,697	9,234,509	200,285	77,825	-	115,200	94,403	217,430	587,317	1,251,626	81,348	26,171,047
Additions	-	-	98,000	-	-	-	-	-	-	-	9,126	-	-	107,126
At 31 December 2019	1,467,419	10,717,988	2,223,697	9,234,509	200,285	77,825	-	115,200	94,403	217,430	596,443	1,251,626	81,348	26,278,173
<b>Accumulated depreciation</b>														
At 1 January 2018	-	925,014	219,433	3,636,352	120,354	60,820	-	55,624	66,357	51,415	351,876	-	-	5,487,245
Charge for the financial year	-	214,360	470,733	929,660	18,177	6,247	-	11,520	9,394	31,490	57,897	-	-	1,749,478
Disposals	-	-	(71,662)	(1,096)	-	-	-	-	-	-	-	-	-	(72,758)
Written off	-	-	-	(3,758)	-	-	-	-	-	-	-	-	-	(3,758)
At 31 December 2018	-	1,139,374	618,504	4,561,158	138,531	67,067	-	67,144	75,751	82,905	409,773	-	-	7,160,207
Adjustment on transition to MFRS 16	-	-	-	-	-	-	-	-	-	-	-	486,743	17,493	504,236
At 1 January 2019	-	1,139,374	618,504	4,561,158	138,531	67,067	-	67,144	75,751	82,905	409,773	486,743	17,493	7,664,443
Charge for the financial year	-	214,360	529,028	930,551	17,128	4,408	-	13,688	7,226	31,489	59,492	139,070	36,789	1,983,229
At 31 December 2019	-	1,353,734	1,147,532	5,491,709	155,659	71,475	-	80,832	82,977	114,394	469,265	625,813	54,282	9,647,672
<b>Net carrying amount</b>														
At 31 December 2019	1,467,419	9,364,254	1,076,165	3,742,800	44,626	6,350	-	34,368	11,426	103,036	127,178	625,813	27,066	16,630,501
At 31 December 2018	1,467,419	9,578,614	1,507,193	4,673,351	61,754	10,758	-	48,056	18,652	134,525	177,544	-	-	17,677,866

\* Additions of factory and hostel are inclusive renewal options of 1 to 3 years.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### Assets pledged as securities to financial institutions

Net carrying amount of assets pledged as securities for bank borrowings are:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Freehold land	1,467,419	1,467,419
Buildings	9,364,254	9,578,614
	<u>10,831,673</u>	<u>11,046,033</u>

### Property, plant and equipment held under finance lease liabilities

The details of property, plant and equipment under finance lease liabilities are:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Motor vehicles	-	<u>1,369,453</u>

### Right-of-use assets held under lease liabilities

The details of right-of-use assets under lease liabilities are:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Motor vehicles	1,009,281	-
Factory	625,813	-
Hostels	27,066	-
	<u>1,662,160</u>	<u>-</u>

Except for factory and hostels, leased assets are pledged as securities for the related lease liabilities.

## 6. SUBSIDIARIES

### Investment in subsidiaries

	<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM
Unquoted shares, at cost	<u>27,825,900</u>	<u>17,299,900</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows:-

<u>Name of companies</u>	<u>Effective ownership interest and voting interest</u>		<u>Principal activities</u>	<u>Principal place of business/ country of incorporation</u>
	%	%		
	2019	2018		
1. Plon Synergy Group Sdn. Bhd.	100	100	Investment holding company	Malaysia
2. PeterLabs Sdn. Bhd.	81	-	Trading of animal health and nutrition products	Malaysia
<b>Subsidiaries of Plon Synergy Group Sdn. Bhd.</b>				
1. OMS Resources Sdn. Bhd.	100	100	Trading of animal health and nutrition products	Malaysia
2. PeterLabs Sdn. Bhd.	19	100	Trading of animal health and nutrition products	Malaysia
3. Osmosis Nutrition Sdn. Bhd.	21	100	Manufacturing and distribution of animal health and nutrition products	Malaysia
<b>Subsidiary of PeterLabs Sdn. Bhd.</b>				
1. Osmosis Nutrition Sdn. Bhd.	79	-	Manufacturing and distribution of animal health and nutrition products	Malaysia

All the above subsidiaries are audited by Grant Thornton Malaysia PLT.

### (b) Amount due from a subsidiary

Amount due from a subsidiary is non-trade related, unsecured, bears no interest and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 7. INVENTORIES

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Raw materials	2,154,500	2,652,734
Finished goods	4,829,053	7,512,889
Trading goods	7,566,011	15,312,571
	14,549,564	25,478,194
<b>Recognised in profit or loss:-</b>		
Inventories recognised in cost of sales	72,914,541	66,527,757
Inventories written down	522,502	2,119
Reversal of inventories written down	(111,768)	(54,121)

The inventories written down is made when the related inventories become obsolete.

The reversal of inventories written down is made when the related inventories are sold above their carrying amount.

### 8. TRADE RECEIVABLES

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Trade receivables	26,510,332	23,236,769
Less: Allowance for expected credit losses	(162,782)	(157,570)
	26,347,550	23,079,199

(a) The trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition. The normal credit terms granted to the customers ranged from 30 to 90 days (2018: 30 to 120 days). Other credit terms are assessed and approved by the management on case-by-case basis.

(b) The foreign currency exposure profile of trade receivables is as follows:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
US Dollar ("USD")	-	103,487
Chinese Yuan ("CNY")	165,675	273,137

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. TRADE RECEIVABLES (CONT'D)

(c) The expected credit losses are determined as follows:-

	Days past due					Total RM
	Current RM	<30 days RM	30-60 days RM	61-90 days RM	>91 days RM	
<u>2019</u>						
Expected credit losses rate	0.51955%	0.63000%	0.84001%	1.04994%	1.13645%	
Estimated total gross carrying amount	19,148,405	2,547,917	2,267,943	856,336	1,689,731	26,510,332
Expected credit losses	99,485	16,052	19,051	8,991	19,203	162,782
	Days past due					Total RM
	Current RM	<30 days RM	30-60 days RM	61-90 days RM	>91 days RM	
<u>2018</u>						
Expected credit losses rate	0.51992%	0.61790%	0.75955%	1.04000%	1.90995%	
Estimated total gross carrying amount	12,228,365	5,198,728	3,121,566	1,515,357	1,172,753	23,236,769
Expected credit losses	63,578	32,123	23,710	15,760	22,399	157,570

(d) The movement of the trade receivables' loss allowance is as follows:-

	<u>2019</u> RM	<u>2018</u> RM
Loss allowance as at 1 January	157,570	120,512
Loss allowance recognised during the financial year	5,212	37,058
Loss allowance as at 31 December	<u>162,782</u>	<u>157,570</u>

(e) Information on financial risk of trade receivables is disclosed in Note 29 to the Financial Statements.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 9. OTHER RECEIVABLES

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Advances to suppliers	50,996	345,778
Deposits	101,232	100,152
GST receivable	11,354	141,283
Non-trade receivables	10,453	5,289
Prepayments	215,985	217,589
	390,020	810,091
	<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM
Deposits	1,000	1,000
Prepayments	10,208	10,208
	11,208	11,208

The foreign currency exposure profile of other receivables is as follows:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
EURO Dollar ("EUR")	49,662	160,671
US Dollar ("USD")	440	185,107
	440	185,107

### 10. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances is as follows:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
US Dollar ("USD")	91,977	86,015
	91,977	86,015

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. SHARE CAPITAL

	<b>Group and Company</b>	
	<u>Number of ordinary shares</u> Unit	<u>Amount</u> RM
<b>Issued and fully paid:-</b>		
At 31.12.2019/31.12.2018	<u>214,739,900</u>	<u>27,459,485</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

## 12. UNAPPROPRIATED PROFITS

As at the end of the reporting year, the Company is under single tier tax system. Accordingly, the entire unappropriated profits as at 31 December 2019 of the Company are available for distribution as dividend under the single tier tax system.

## 13. FINANCE LEASE LIABILITIES

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Minimum lease payments		
- not later than 1 year	-	459,900
- later than 1 year but not later than 5 years	-	<u>978,062</u>
	-	1,437,962
Less: Future finance lease charges on lease	-	<u>(116,592)</u>
Present value of finance lease liabilities	<u>-</u>	<u>1,321,370</u>
Present value of finance lease liabilities		
- not later than 1 year	-	403,706
- later than 1 year but not later than 5 years	-	<u>917,664</u>
	<u>-</u>	<u>1,321,370</u>

The effective interest rates of finance lease facilities ranged from Nil (2018: 4.55% to 6.09%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 14. LEASE LIABILITIES

### Group

	Less than <u>one year</u> RM	Two to <u>five years</u> RM	More than <u>five years</u> RM	<u>Total</u> RM
<u>2019</u>				
Future minimum lease payments	664,736	1,210,916	10,630	1,886,282
Less: Interest	(71,799)	(87,794)	(180)	(159,773)
	<u>592,937</u>	<u>1,123,122</u>	<u>10,450</u>	<u>1,726,509</u>
<u>2018</u>				
Future minimum lease payments	-	-	-	-
Less: Interest	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments	-	-	-	-

The effective interest rates of lease facilities ranged from 4.51% to 6.25% (2018: Nil) per annum.

## 15. BORROWINGS

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
<b>Non-current</b>		
Secured:-		
Structured commodity financing	-	2,874,378
Term loan	15,761	570,179
	<u>15,761</u>	<u>3,444,557</u>
<b>Current</b>		
Secured:-		
Bankers' acceptance	2,894,000	4,000,397
Revolving credit	3,348,708	-
Structured commodity financing	-	447,925
Term loan	548,802	516,234
	<u>6,791,510</u>	<u>4,964,556</u>
Total	<u>6,807,271</u>	<u>8,409,113</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 15. BORROWINGS (CONT'D)

The above secured borrowings were obtained by means of the following:-

- i) a legal charge over the Group's freehold land and buildings; and
- ii) corporate guarantee from the Company.

The term loan bears interest at rates ranging from 4.89% to 5.14% (2018: 5.04% to 5.54%) per annum and is repayable by 335 (2018: 335) equal monthly instalments commencing after the full release of the loan.

The bankers' acceptance bears interest at rates ranging from 4.09% to 4.56% (2018: 4.31% to 4.78%) per annum and is repayable upon the maturity date within 120 (2018: 120) days.

The structured commodity financing bears interest at rates ranging from Nil (2018: 4.26% to 4.75%) per annum and is repayable by Nil (2018: 120) monthly instalments.

The revolving credit bears interest at rates ranging from 4.35% to 4.62% (2018: Nil) per annum and is repayable on demand.

## 16. DEFERRED TAX LIABILITIES

<b>Group</b>	<u>2019</u> RM	<u>2018</u> RM
At 1 January	440,000	711,000
Recognised from profit or loss	<u>(90,000)</u>	<u>(271,000)</u>
At 31 December	<u>350,000</u>	<u>440,000</u>

The deferred tax liabilities balances are made up of tax impact on temporary differences arising from:-

	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	1,151,000	1,153,000
Unutilised capital allowances	(264,000)	(202,000)
Unutilised reinvestment allowances	(511,000)	(511,000)
Others	<u>(26,000)</u>	<u>-</u>
	<u>350,000</u>	<u>440,000</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 17. TRADE PAYABLES

The trade payables are non-interest bearing and the normal credit terms granted by the trade payables ranged from cash term to 30 to 90 days (2018: 30 to 90 days).

The foreign currency exposure profile of trade payables is as follows:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
EURO Dollar ("EUR")	-	64,999
Singapore Dollar ("SGD")	83,044	-
Thai Baht ("THB")	23,486	-
US Dollar ("USD")	<u>1,891,596</u>	<u>2,164,928</u>

## 18. OTHER PAYABLES

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Accruals of expenses	3,513,970	3,511,774
Commission payable	1,376,317	1,790,840
Non-trade payables	<u>302,025</u>	<u>688,337</u>
	<u>5,192,312</u>	<u>5,990,951</u>

	<b>Company</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Non-trade payables	6,678	6,373
Accruals of expenses	<u>404,684</u>	<u>146,696</u>
	<u>411,362</u>	<u>153,069</u>

The foreign currency exposure profile of other payables is as follows:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Singapore Dollar ("SGD")	703	3,987
Thai Baht ("THB")	-	8,763
US Dollar ("USD")	<u>8,493</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 19. REVENUE

### Group

The Group's revenue disaggregated by primary geographical markets is as follows:-

	<b>Manufacturing</b> RM	<b>Trading</b> RM	<b>Total</b> RM
<u>2019</u>			
<b>Geographical market</b>			
Bangladesh	493,099	-	493,099
China	1,411,762	-	1,411,762
Korea	40,214	-	40,214
Nepal	353,132	-	353,132
Philippines	233,022	-	233,022
Malaysia	606,736	92,280,023	92,886,759
Others	333,344	482,597	815,941
	<u>3,471,309</u>	<u>92,762,620</u>	<u>96,233,929</u>

<u>2018</u>			
<b>Geographical market</b>			
Bangladesh	563,342	-	563,342
China	843,153	-	843,153
Indonesia	-	2,065,228	2,065,228
Malaysia	407,715	84,473,839	84,881,554
Others	1,364,302	701,870	2,066,172
	<u>3,178,512</u>	<u>87,240,937</u>	<u>90,419,449</u>

The Group's revenue disaggregated by pattern of revenue recognition is as follows:-

	<b>Manufacturing</b> RM	<b>Trading</b> RM	<b>Total</b> RM
<u>2019</u>			
Goods transferred at a point in time	<u>3,471,309</u>	<u>92,762,620</u>	<u>96,233,929</u>
<u>2018</u>			
Goods transferred at a point in time	<u>3,178,512</u>	<u>87,240,937</u>	<u>90,419,449</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 20. OTHER INCOME

	Group		Company	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Bad debts recovered	1,500	1,800	-	-
Gain on disposal of property, plant and equipment	-	17,394	-	-
Reversal of expected credit losses	-	7,836	-	-
Interest income	142,019	93,929	3,600	1,000
Reversal of inventories written down	111,768	54,121	-	-
Unrealised gain on foreign exchange	28,428	34,892	-	-

## 21. OTHER EXPENSES

	Group	
	<u>2019</u> RM	<u>2018</u> RM
Bad debts written off	140,018	13,041
Allowance for expected credit losses	5,212	44,894
Inventories written down	522,502	2,119
Written off on property, plant and equipment	-	1,367
Realised loss on foreign exchange	134,310	132,985

## 22. FINANCE COSTS

	Group	
	<u>2019</u> RM	<u>2018</u> RM
Bankers' acceptance interest	219,129	417,072
Finance lease interest	-	61,732
Lease liabilities interest	99,240	-
Term loan interest	68,502	73,466
Revolving credits interest	135,822	-
Structured commodity financing interest	-	244,883

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging, the following:-

	Group		Company	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Directors' remuneration				
- fee	128,400	120,000	128,400	120,000
- other emoluments	3,149,120	2,531,444	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## 24. TAX EXPENSE/(INCOME)

	Group		Company	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Malaysian income tax:-				
Current tax				
- current year	1,725,503	1,999,275	-	-
- over provision in prior year	(202,707)	(76,491)	-	(1)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total current tax recognised in profit or loss	<u>1,522,796</u>	<u>1,922,784</u>	<u>-</u>	<u>(1)</u>
Deferred tax				
- origination and reversal of temporary differences	(67,000)	(158,000)	-	-
- over provision in prior year	(23,000)	(113,000)	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred tax recognised in profit or loss	<u>(90,000)</u>	<u>(271,000)</u>	<u>-</u>	<u>-</u>
Total tax expense/(income)	<u>1,432,796</u>	<u>1,651,784</u>	<u>-</u>	<u>(1)</u>



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 24. TAX EXPENSE/(INCOME) (CONT'D)

Reconciliation of tax expense/(income) at statutory tax rate and effective tax rate of the Group and of the Company are as follows:-

	<b>Group</b>		<b>Company</b>	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Profit/(Loss) before tax	5,708,106	5,449,314	(643,199)	(314,472)
Tax at Malaysian statutory tax rate of 24%	1,369,945	1,307,835	(154,368)	(75,473)
Tax effects in respect of:-				
Expenses not deductible for tax	801,537	721,966	154,368	75,473
Deferred tax over recognised in prior year	(23,000)	(113,000)	-	-
Income not subject to tax	(512,979)	(188,526)	-	-
Over provision of tax expense in prior year	(202,707)	(76,491)	-	(1)
Total tax expense/(income)	<u>1,432,796</u>	<u>1,651,784</u>	<u>-</u>	<u>(1)</u>

The Group's unutilised reinvestment allowances and unutilised capital allowance which can be carried forward to offset against future taxable profit amounted to approximately RM2,129,000 (2018: RM2,129,000) and RM1,100,000 (2018: RM840,000) respectively.

## 25. EARNINGS PER SHARE

### Group

#### Basic earnings per ordinary share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and a weighted average number of ordinary shares issued as follows:-

	<b>Group</b>	
	<u>2019</u> RM	<u>2018</u> RM
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	<u>4,275,310</u>	<u>3,797,530</u>
Weighted average number of ordinary shares at 31 December	<u>214,739,900</u>	<u>214,739,900</u>
Basic earnings per share (sen)	<u>1.99</u>	<u>1.77</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. EARNINGS PER SHARE (CONT'D)

### Group (cont'd)

#### Diluted earnings per ordinary share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the reporting date.

## 26. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
Salaries, wages and other emoluments	7,458,147	7,428,296	128,400	120,000
Social security contributions	56,971	52,138	-	-
Defined contribution plan	799,753	720,366	-	-
	<u>8,314,871</u>	<u>8,200,800</u>	<u>128,400</u>	<u>120,000</u>

The remuneration received and receivable by the Directors are categorised as follows:-

	Group		Company	
	<u>2019</u> RM	<u>2018</u> RM	<u>2019</u> RM	<u>2018</u> RM
<b>Executive Directors:-</b>				
<u>Directors of the Company</u>				
Salaries and other emoluments	1,670,777	1,521,197	-	-
Bonus	810,128	449,000	-	-
Defined contribution plans	247,944	225,240	-	-
Total Executive Directors' remuneration	<u>2,728,849</u>	<u>2,195,437</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 26. EMPLOYEE BENEFITS EXPENSE (CONT'D)

The remuneration received and receivable by the Directors are categorised as follows (cont'd):-

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Executive Directors:-</b>				
<u>Directors of the subsidiaries</u>				
Salaries and other emoluments	353,149	269,383	-	-
Bonus	32,382	35,238	-	-
Defined contribution plans	34,740	31,386	-	-
Total Executive Directors' remuneration	<u>420,271</u>	<u>336,007</u>	<u>-</u>	<u>-</u>
<b>Non-Executive Directors:-</b>				
<u>Existing Directors of the Company</u>				
Fees	<u>128,400</u>	<u>120,000</u>	<u>128,400</u>	<u>120,000</u>
<u>Other additional disclosures</u>				
Insurance premium paid for indemnity coverage and insurance effected for Directors	<u>17,500</u>	<u>19,542</u>	<u>17,500</u>	<u>19,542</u>

## 27. CONTINGENT LIABILITY

The Directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.

	Company	
	2019 RM	2018 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries		
- Utilised	6,807,271	8,409,113
- Limit	<u>21,897,000</u>	<u>33,450,000</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. RELATED PARTY DISCLOSURES

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

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 of the Company are as follows:-

### Transaction with certain Directors

	<b>Group and Company</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
Professional fee charged by companies in which Directors have interest	<u>22,995</u>	<u>60,782</u>

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 6 to the Financial Statements.

Key management personnel are 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 Group and the Company have no other members of key management personnel other than the Board of Directors. Remuneration of key management personnel is disclosed as Directors' remuneration in Notes 23 and 26 to the Financial Statements.

## 29. FINANCIAL INSTRUMENTS

### **Financial risk management**

The Group is exposed to financial risks arising from their operations and the use of financial instruments. It has established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections explain key risks faced by the Group and its management. Financial assets and liabilities of the Group are summarised in Note 3.6 to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (a) Credit risk

Credit risk refers to the risk that a counter party will default in its contractual obligations resulting in financial losses to the Group. The Group adopts the policy of dealing with customers of appropriate standing to mitigate credit risk and customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bad debts. For other financial assets, the Group adopts the policy of dealing with reputable institutions.

#### Exposure to credit risk

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised at reporting year as summarised below.

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
<b>Classes of financial assets:-</b>		
Cash and bank balances	14,775,129	5,594,854
Trade receivables	26,347,550	23,079,199
Other receivables	162,681	451,219
	<u>41,285,360</u>	<u>29,125,272</u>
Carrying amount		
<b>Company</b>		
	<u>2019</u>	<u>2018</u>
	RM	RM
<b>Classes of financial assets:-</b>		
Cash and bank balances	431,788	12,216
Other receivables	1,000	1,000
Amount due from subsidiaries	148	11,328,153
	<u>432,936</u>	<u>11,341,369</u>
Carrying amount		

The credit risk for bank balances is considered negligible, since the counterparties are reputable licensed financial institutions with high quality external credit ratings.

The Group continuously monitors the credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (a) Credit risk (cont'd)

##### Exposure to credit risk (cont'd)

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

##### Credit risk concentration

The credit risk concentration profile by geographical on trade receivables of the Group as at the reporting year is as follows:-

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
<b>By country:-</b>		
Malaysia	26,181,875	22,702,575
China	165,675	273,137
Pakistan	-	103,487
	<u>26,347,550</u>	<u>23,079,199</u>

In respect of trade and other receivables, the Group is not subjected to significant credit risk exposure to a single counterparty or a group of counterparties having similar characteristics, except as mentioned below:-

	<b>Group</b>			
	<u>2019</u>		<u>2018</u>	
	RM	%	RM	%
Top 3 (2018: 2) customers	<u>5,000,586</u>	<u>19</u>	<u>3,213,805</u>	<u>14</u>

Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, the management considers the credit quality of trade receivables that are past due but not impaired to be good.

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (a) Credit risk (cont'd)

##### Financial guarantee/Corporate guarantee

The maximum exposure to credit risk as disclosed in Note 27 to the Financial Statements represent the outstanding banking facilities of the subsidiaries as at end of the reporting year.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at end of the reporting year, there was no indication that any subsidiary would default on repayment.

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities is equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

##### Intercompany balances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Company provides advances to the subsidiary and monitors the results of the subsidiary regularly.

The Company has not recognised any loss allowance as the subsidiary is having good payment records with the Company and has no history of default. As at the end of the reporting year, there was no indication that the advances to the subsidiary is not recoverable and the risk of default is expected to be zero.

#### (b) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting their obligations as and when they fall due. The Group's and the Company's exposures to liquidity risk arises particularly from payables, loans and borrowings and they maintain a level of cash and cash equivalents and bank credit facilities deemed adequate by management to ensure they have sufficient liquidity to meet their obligations as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The following financial liabilities of the Group and of the Company are subjected to liquidity risk:-

	Carrying amount RM	Total RM	Contractual undiscounted cash flows		
			Current On demand/ Within 1 year RM	Non-current 2 to 5 years RM	More than 5 years RM
<b>2019</b>					
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
Borrowings	6,807,271	6,822,762	6,806,936	15,826	-
Lease liabilities	1,726,509	1,886,282	664,736	1,210,916	10,630
Trade payables	5,850,316	5,850,316	5,850,316	-	-
Other payables	5,192,312	5,192,312	5,192,312	-	-
Total undiscounted financial liabilities	19,576,408	19,751,672	18,514,300	1,226,742	10,630
<b>Company</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	411,362	411,362	411,362	-	-
Total undiscounted financial liabilities	411,362	411,362	411,362	-	-
Corporate guarantee	-	6,807,271	6,807,271	-	-
<b>2018</b>					
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
Borrowings	8,409,113	9,091,384	5,150,537	2,668,442	1,272,405
Finance lease liabilities	1,321,370	1,437,962	459,900	978,062	-
Trade payables	7,786,724	7,786,724	7,786,724	-	-
Other payables	5,990,951	5,990,951	5,990,951	-	-
Total undiscounted financial liabilities	23,508,158	24,307,021	19,388,112	3,646,504	1,272,405



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

2018 (cont'd)	Carrying amount RM	Total RM	Contractual undiscounted cash flows		
			Current On demand/ Within 1 year RM	Non-current 2 to 5 years RM	More than 5 years RM
<b>Company</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	153,069	153,069	153,069	-	-
Total undiscounted financial liabilities	153,069	153,069	153,069	-	-
Corporate guarantee	-	8,409,113	8,409,113	-	-

#### (c) Interest rate risk

Interest rate risk is caused by changes in the market interest rate resulting in fluctuations in fair value or future cash flows of financial instruments of the Group. The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The Group's borrowings at variable interest rates are exposed to the risk of change in cash flow due to changes in interest rate. Short term receivables and payables are not significantly exposed to interest rate risk.

#### Interest rate sensitivity analysis

At 31 December 2019, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short-term placement is considered immaterial.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (c) Interest rate risk (cont'd)

##### Interest rate sensitivity analysis (cont'd)

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

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
<b>Fixed rate instruments</b>		
<u>Financial liabilities</u>		
Bankers' acceptance	2,894,000	4,000,397
Finance lease liabilities	-	1,321,370
Lease liabilities	1,000,696	-
Structured commodity financing	-	3,322,303
	<u>3,894,696</u>	<u>8,644,070</u>
<b>Floating rate instruments</b>		
<u>Financial liabilities</u>		
Term loan	564,563	1,086,413
Revolving credit	3,348,708	-
	<u>3,913,271</u>	<u>1,086,413</u>

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (2018: +/- 25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting year that are sensitive to changes in interest rates. All other variables are held constant.

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	RM	RM
<u>Effect on profit for the year/Equity</u>		
+ 25bp (2018: + 25bp)	(9,783)	(2,716)
- 25bp (2018: - 25bp)	<u>9,783</u>	<u>2,716</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (d) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group's entities. The currencies giving rise to this risk are primarily USD, EUR, SGD, THB and CNY.

Carrying amounts of the Group's exposure to foreign currency risk are as follows:-

	<u>USD</u> RM	<u>EUR</u> RM	<u>SGD</u> RM	<u>THB</u> RM	<u>CNY</u> RM
<u>2019</u>					
Financial assets	92,417	49,662	-	-	165,675
Financial liabilities	(1,900,089)	-	(83,747)	(23,486)	-
Net exposure	(1,807,672)	49,662	(83,747)	(23,486)	165,675
<u>2018</u>					
Financial assets	374,609	160,671	-	-	273,137
Financial liabilities	(2,164,928)	(64,999)	(3,987)	(8,763)	-
Net exposure	(1,790,319)	95,672	(3,987)	(8,763)	273,137

#### Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and financial liabilities and the RM/USD exchange rate, RM/EUR exchange rate, RM/SGD exchange rate, RM/THB exchange rate and RM/CNY exchange rate and all other things being equal.

It assumes a 1% (2018: 1%) change of the RM/USD, RM/EUR, RM/SGD, RM/THB and RM/CNY exchange rate for the financial year end. These percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting year.

If the RM had strengthened against the USD, EUR, SGD, THB and CNY by 1% (2018: 1%) then this would have had the following impact:-

	← Effect on profit for the year →				
	<u>USD</u> RM	<u>EUR</u> RM	<u>SGD</u> RM	<u>THB</u> RM	<u>CNY</u> RM
31 December 2019	(18,077)	497	(837)	(235)	1,657
31 December 2018	(17,903)	957	(40)	(88)	2,731

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

#### (d) Foreign currency risk (cont'd)

##### Foreign currency sensitivity analysis (cont'd)

If RM had weakened against the USD, EUR, SGD, THB and CNY by 1% (2018: 1%) then the impact to profit for the year/equity would be the opposite effect.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk

## 30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting year.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Company does not intend to dispose off these investments in the near future.

The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases, the market rate on interest is determined by reference to similar lease agreements. The interest rates used to discount estimated cash flows, when applicable are as follows:-

<b>Group</b>	<u>2019</u> %	<u>2018</u> %
Bankers' acceptance	4.09 – 4.56	4.31 – 4.78
Finance lease liabilities	-	4.55 – 6.09
Lease liabilities	4.51 – 6.25	-
Term loan	4.89 – 5.14	5.04 – 5.54
Revolving credit	4.35 – 4.62	-
Structured commodity financing	-	<u>4.26 - 4.75</u>

##### Fair value hierarchy

No fair value hierarchy had been disclosed for financial assets and financial liabilities as the Group and the Company do not have financial instruments measured at fair value.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Financial assets measured at amortised cost ("FA"); and
- (b) Other financial liabilities measured at amortised cost ("OFL").

Group	<b>Carrying amount RM</b>	<b>FA RM</b>	<b>OFL RM</b>
<b>2019</b>			
<b>Financial assets</b>			
Trade receivables	26,347,550	26,347,550	-
Other receivables	162,681	162,681	-
Cash and bank balances	14,775,129	14,775,129	-
	<u>41,285,360</u>	<u>41,285,360</u>	<u>-</u>
<b>Financial liabilities</b>			
Trade payables	5,850,316	-	5,850,316
Other payables	5,192,312	-	5,192,312
Borrowings	6,807,271	-	6,807,271
	<u>17,849,899</u>	<u>-</u>	<u>17,849,899</u>
<b>Company</b>			
<b>2019</b>			
<b>Financial assets</b>			
Other receivables	1,000	1,000	-
Amount due from a subsidiary	148	148	-
Cash and bank balances	431,788	431,788	-
	<u>432,936</u>	<u>432,936</u>	<u>-</u>
<b>Financial liability</b>			
Other payables	411,362	-	411,362

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Financial assets measured at amortised cost ("FA"); and  
(b) Other financial liabilities measured at amortised cost ("OFL").

Group	Carrying amount RM	FA RM	OFL RM
<b>2018</b>			
<b>Financial assets</b>			
Trade receivables	23,079,199	23,079,199	-
Other receivables	451,219	451,219	-
Cash and bank balances	5,594,854	5,594,854	-
	<u>29,125,272</u>	<u>29,125,272</u>	<u>-</u>
<b>Financial liabilities</b>			
Trade payables	7,786,724	-	7,786,724
Other payables	5,990,951	-	5,990,951
Finance lease liabilities	1,321,370	-	1,321,370
Borrowings	8,409,113	-	8,409,113
	<u>23,508,158</u>	<u>-</u>	<u>23,508,158</u>
<b>Company</b>			
<b>2018</b>			
<b>Financial assets</b>			
Other receivables	1,000	1,000	-
Amount due from a subsidiaries	11,328,153	11,328,153	-
Cash and bank balances	12,216	12,216	-
	<u>11,341,369</u>	<u>11,341,369</u>	<u>-</u>
<b>Financial liability</b>			
Other payables	153,069	-	153,069

## 32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and financially prudent capital ratios in order to support its current business as well as future expansion so as to maximise shareholders' value.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 32. CAPITAL MANAGEMENT (CONT'D)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions including the interest rate movements. To maintain and adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders, issue new shares or adjust bank borrowings level. No changes were made in the objectives, policies or processes during the financial year.

The Group monitors capital using a gearing ratio, which are the total interest-bearing borrowings over owners' equity. The Group's policy is to keep the Group gearing ratio below 0.75. The gearing is however allowed to move up when the Company incurs major capital expenditure and long-term borrowing is available to finance the capital investment. Under such circumstance, the cash flow to be generated from the capital expenditure will be used to repay the borrowing over a longer period of time, thus, justifying the higher gearing ratio.

The borrowings include finance lease liabilities, lease liabilities, term loan, structure commodity financing, revolving credit and bankers' acceptance while owners' equity refers to the equity attributable to the owners of the Group.

	<u>2019</u>	<u>2018</u>
	RM	RM
Interest-bearing borrowings		
- Finance lease liabilities	-	1,321,370
- Lease liabilities	1,000,696	-
- Bankers' acceptance	2,894,000	4,000,397
- Term loan	564,563	1,086,413
- Revolving credit	3,348,708	-
- Structured commodity financing	-	3,322,303
	7,807,967	9,730,483
Total interest-bearing borrowings		
Owners' equity	52,470,409	48,263,071
Gearing ratio	0.15	0.20

There were no changes in Group's approach to capital management during the financial year.

## 33. OPERATING SEGMENTS – GROUP

Management currently identifies the Group's manufacturing and trading as their operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The following summary describes the operations in each of the Group's reportable segments:-

Manufacturing : Manufacturing and distribution of animal health and nutrition products

Trading : Trading and distribution of animal health and nutrition products

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 33. OPERATING SEGMENTS – GROUP (CONT'D)

Other non-reportable segments comprise operations related to investment holding.

No operation segments have been aggregated to form the above reportable operating segments.

Performance is measured based on segment profit before tax, interest, depreciation, as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operates within these industries.

Transfer prices between operating segments are on an arms' length basis in a similar manner to transactions with third parties.

	Note	<u>Manufacturing</u> RM	<u>Trading</u> RM	<u>Others</u> RM	<u>Adjustments and eliminations</u> RM	<u>Total</u> RM
<b>2019</b>						
<b>Revenue</b>						
External revenue		3,471,309	92,762,620	-	-	96,233,929
Inter-segment revenue	<b>A</b>	31,182,535	9,888,724	-	(41,071,259)	-
Total revenue		<u>34,653,844</u>	<u>102,651,344</u>	<u>-</u>	<u>(41,071,259)</u>	<u>96,233,929</u>
<b>Results</b>						
Interest income		20,253	118,166	3,600	-	142,019
Finance costs		(356,192)	(166,501)	-	-	(522,693)
Depreciation		(1,504,157)	(479,072)	-	-	(1,983,229)
Other non-cash income	<b>B</b>	(6,240)	(521,296)	-	-	(527,536)
Tax income/(expense)		54,380	(1,485,305)	(1,871)	-	(1,432,796)
Segment profit	<b>C</b>	<u>222,400</u>	<u>5,131,577</u>	<u>(27,254)</u>	<u>(670,739)</u>	<u>4,655,984</u>
<b>Assets</b>						
Additions to non-current assets other than financial instruments and deferred tax assets	<b>D</b>	9,126	98,000	-	-	107,126
Segment assets	<b>E</b>	<u>22,630,628</u>	<u>47,514,446</u>	<u>2,583,798</u>	<u>(36,108)</u>	<u>72,692,764</u>
<b>Liabilities</b>						
Segment liabilities	<b>F</b>	<u>2,752,376</u>	<u>7,870,910</u>	<u>419,563</u>	<u>(221)</u>	<u>11,042,628</u>



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 33. OPERATING SEGMENTS – GROUP (CONT'D)

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
<b>2018</b>						
<b>Revenue</b>						
External revenue		3,178,512	87,240,937	-	-	90,419,449
Inter-segment revenue	<b>A</b>	29,944,859	6,419,199	-	(36,364,058)	-
Total revenue		33,123,371	93,660,136	-	(36,364,058)	90,419,449
<b>Results</b>						
Interest income		13,136	79,793	1,000	-	93,929
Finance costs		(475,015)	(322,138)	-	-	(797,153)
Depreciation		(1,328,133)	(421,345)	-	-	(1,749,478)
Other non-cash income	<b>B</b>	16,791	36,031	-	-	52,822
Tax income/(expense)		324,774	(1,976,559)	1	-	(1,651,784)
Segment profit	<b>C</b>	(294,610)	5,176,045	(365,315)	(15,366)	4,500,754
<b>Assets</b>						
Additions to non-current assets other than financial instruments and deferred tax assets	<b>D</b>	38,875	728,987	-	-	767,862
Segment assets	<b>E</b>	26,063,525	45,065,646	1,539,402	(28,369)	72,640,204
<b>Liabilities</b>						
Segment liabilities	<b>F</b>	4,037,848	9,582,021	157,806	-	13,777,675

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

- A. Intersegment revenues are eliminated on consolidation.
- B. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the financial statements:-

	2019 RM	2018 RM
Bad debts written off	(140,018)	(13,041)
Inventories written down	(522,502)	(2,119)
Provision for expected credit losses	(5,212)	(37,058)
Gain on disposal of property, plant and equipment	-	17,394
Property, plant and equipment written off	-	(1,367)
Reversal of inventories written down	111,768	54,121
Unrealised gain on foreign exchange	28,428	34,892
	<u>(527,536)</u>	<u>52,822</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 33. OPERATING SEGMENTS – GROUP (CONT'D)

C. The following items are added to/(deducted from) segment profit to arrive at “profit after tax” presented in the consolidated statement of profit or loss and other comprehensive income:-

	<u>2019</u> RM	<u>2018</u> RM
Segment profit	4,655,984	4,500,754
Interest income	142,019	93,929
Finance costs	<u>(522,693)</u>	<u>(797,153)</u>
Profit after tax	<u>4,275,310</u>	<u>3,797,530</u>

D. Additions to non-current assets other than financial instruments consist of:-

	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	<u>107,126</u>	<u>767,862</u>

E. The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position.

	<u>2019</u> RM	<u>2018</u> RM
Segment assets	72,692,764	72,640,204
Tax recoverable	<u>38,739</u>	<u>168,811</u>
Total assets	<u>72,731,503</u>	<u>72,809,015</u>

F. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

	<u>2019</u> RM	<u>2018</u> RM
Segment liabilities	11,042,628	13,777,675
Deferred tax liabilities	350,000	440,000
Lease liabilities	1,726,509	1,321,370
Borrowings	6,807,271	8,409,113
Tax payable	<u>334,686</u>	<u>597,786</u>
Total liabilities	<u>20,261,094</u>	<u>24,545,944</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 33. OPERATING SEGMENTS – GROUP (CONT'D)

#### Geographical segment

Non-current assets information based on the geographical location of the assets respectively are as follows:-

	<u>2019</u> RM	<u>2018</u> RM
<u>Non-current assets</u>		
Malaysia	<u>16,630,501</u>	<u>17,677,866</u>

Non-current assets information presented above consists of the following items as presented in the consolidated statements of financial position:-

	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	<u>16,630,501</u>	<u>17,677,866</u>

Revenue information based on the geographical location of the customers are disclosed in Note 19 to the Financial Statements.

#### Major Customer

There are no major customer which more than 10% of the Group's revenue.

### 34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 31 December 2019, the Company has discharged the outstanding amounts owing from Peterlabs Sdn. Bhd. ("PSB") through capitalisation into ordinary shares of PSB.

PSB has capitalised the sum of RM10,526,000 out of the total outstanding amount of RM10,526,000 owing from the Company towards the payment and satisfaction in full for the allotment and issuance of 10,526,000 ordinary shares at an issue price of RM1.00 per share and credited as fully paid-up and ranking pari passu with all the existing ordinary shares in the capital of PSB.

Upon allotment and issuance of the said 10,526,000 ordinary shares, the amount of RM10,526,000 due from the Company shall be deemed as having been discharged and satisfied in full.

# ANALYSIS OF SHAREHOLDINGS

## ANALYSIS OF SHAREHOLDINGS AS AT 29 MAY 2020

### SHARE CAPITAL

Issued and Fully Paid-up Capital	:	214,739,900
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

### SHAREHOLDING DISTRIBUTION SCHEDULE (AS PER THE RECORD OF DEPOSITORS)

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
16	Less than 100	715	*
119	100 to 1,000	81,000	0.04
377	1,001 to 10,000	2,545,100	1.18
735	10,001 to 100,000	29,799,131	13.88
197	100,001 to less than 5% of issued shares	129,300,607	60.21
3	5% and above of the issued shares	53,013,347	24.69
<b>1,447</b>	<b>TOTAL</b>	<b>214,739,900</b>	<b>100.00</b>

\* Less than 0.01%

### LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

Name of Shareholders	No. of Shares Held	Percentage (%)
1. Teo Chin Heng	21,270,109	9.91
2. GL Equity Partners Limited	18,800,000	8.75
3. Lim Tong Seng	12,943,238	6.03
4. Lau Yeng Khuan	7,170,645	3.34
5. Teo Kooi Cheng	6,551,000	3.05
6. Kho Siaw Sua	6,400,000	2.98
7. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Yee Foong</i>	6,356,100	2.96
8. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Siah Tian Yee (E-TJJ)</i>	6,345,100	2.95
9. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Kee Hor (E-TJJ)</i>	4,251,600	1.98
10. CGS -CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Swee Hwa (T Connaught-CL)</i>	3,683,700	1.72
11. Lau Kim Pou	3,628,538	1.69
12. Chong Pow Choo	3,466,800	1.61
13. Ng Chew Kee	3,187,000	1.48
14. Chieng Yi San	3,141,000	1.46
15. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chong Yoke Ching</i>	2,852,000	1.33
16. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Kee Hor (E-TSA/TPG)</i>	2,687,000	1.25
17. Chan Bee Chuan	2,100,000	0.98
18. Tan Ching Ling	1,705,000	0.79
19. Kong Hieng Hung	1,440,000	0.67

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

### LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS) (CONT'D)

Name of Shareholders	No. of Shares Held	Percentage (%)
20. Hii Lay Yieng	1,410,100	0.66
21. Yap Siaw Peng	1,350,058	0.63
22. Lee Joo Hian	1,338,800	0.62
23. Yap Yi Xuan	1,325,700	0.62
24. Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An for OCBC Securities Private Limited (Client A/C - RES)</i>	1,295,000	0.60
25. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teo Kooi Cheng (E-BPJ)</i>	1,175,000	0.55
26. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Gan Boon Siew (8065121)</i>	1,145,000	0.53
27. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Hii Lay Yieng (E-PLT)</i>	1,138,000	0.53
28. Loh Wai Chuan	1,136,800	0.53
29. Chieng Yew Mang	1,119,000	0.52
30. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Soon Hui (E-SJA)</i>	1,060,000	0.49
<b>TOTAL</b>	<b>131,472,288</b>	<b>61.22</b>

### SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

NAME OF SHAREHOLDERS	NO. OF SHARES HELD			
	DIRECT	%	INDIRECT	%
1. Teo Chin Heng	21,270,109	9.91	-	-
2. GL Equity Partners Limited	18,800,000	8.75	-	-
3. Lim Tong Seng	12,943,238	6.03	-	-

### DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

NAME OF DIRECTORS	NO. OF SHARES HELD			
	DIRECT	%	INDIRECT	%
1. Dato' Hon Choon Kim	-	-	*50,000	0.02
2. Lim Tong Seng	12,943,238	6.03	-	-
3. Teo Chin Heng	21,270,109	9.91	-	-
4. Lau Yeng Khuan	7,170,645	3.34	-	-
5. Yap Siaw Peng	1,350,058	0.63	-	-
6. Prof Dr. Paul Cheng Chai Liou	-	-	-	-
7. Dr. Vijaya Raghavan a/l M P Nair	-	-	-	-
8. Azman bin Abdul Jalil	200,000	0.09	-	-

Notes:

\* Deemed interested by virtue of the shares held by his spouse.

# LIST OF PROPERTIES AS AT 31 DECEMBER 2019

<b>Title No. / Location</b>	GRN 212756/Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan.	HSD151557/ No. 38, Lorong Sungai Puloh 1A/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor.
<b>Tenure</b>	Freehold	Freehold
<b>Land Area/ Build-Up Area (Sq. Ft.)</b>	141,276 / 52,474	21,858 / 14,160
<b>Description</b>	Industrial land erected upon with building which consist of 1 storey factory/ warehouse and attached with 3 storey office area which houses the Group's manufacturing plant and office.	3-Storey Semi Detached Office Block Cum Factory
<b>Approximate Age Of Building</b>	9 years	6 years
<b>Net Book Value (RM'000)</b>	6,313	4,519
<b>Date of acquisition</b>	22 April 2008	20 June 2016



**PETERLABS  
HOLDINGS  
BERHAD**

201001025806  
(909720-W)

Lot 16014 (PT No. 24341), Jalan Nilam 3,  
Bandar Nilam Utama, 71800 Nilai,  
Negeri Sembilan Darul Khusus

Tel: +606 7999 090 | Fax: +606 7997 070  
Email: [info@peterlabs.com.my](mailto:info@peterlabs.com.my)  
Website: [www.peterlabs.com.my](http://www.peterlabs.com.my)

**KILANG MEMPROSES MAKANAN HAYWAN**  
**Osmosis Nutrition Sdn. Bhd.**  
(Berdaftar dengan MAMPU, KEMAS & MAMPU)  
TIG  
Lot 16014 PT No. 24341, Jalan Nilam 3, Bandar Nilam Utama,  
71800 Nilai, Negeri Sembilan Darul Khusus, Malaysia.  
BRANCH : No 38 & 38A, Lorong Sungai Puluh TANGKUP, Kawasan Perindustrian  
Sungai Puluh, 42100 Klang, Selangor Darul Ehsan, Malaysia.