

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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This Circular has been reviewed by Alliance Investment Bank Berhad as the Principal Adviser to PeterLabs Holdings Berhad ("**PHB**" or the "**Company**") for the Proposals (as defined herein).



PETERLABS HOLDINGS BERHAD

(Registration No. 201001025806 (909720-W))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) PROPOSED ACQUISITION OF 60% EQUITY INTEREST IN THYE ON TONG TRADING SDN BHD ("TOT"), COMPRISING 600,000 ORDINARY SHARES IN TOT, FROM DATUK LOH SAW FOONG AND DATIN LIN CHING YEIN FOR A PURCHASE CONSIDERATION OF RM10,800,000 TO BE SATISFIED VIA COMBINATION OF CASH CONSIDERATION OF RM3,000,000 AND ISSUANCE OF 39,000,000 NEW ORDINARY SHARES IN PHB ("PHB SHARES") AT AN ISSUE PRICE OF RM0.20 PER PHB SHARE; AND**
- (II) PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF PHB AND ITS SUBSIDIARIES TO INCLUDE THE DISTRIBUTION OF CONSUMER GOODS**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



ALLIANCE INVESTMENT BANK

Alliance Investment Bank Berhad 197401004393 (21605-D)
A Participating Organisation of Bursa Malaysia Securities Berhad

The Extraordinary General Meeting ("**EGM**") of the Company will be held at Halia Hall, d'Tempat Country Club, PT 12653, Jalan Pusat Dagangan Sendayan 1, 71950 Bandar Sri Sendayan, Negeri Sembilan on Monday, 28 September 2020 at 11.00 a.m. or at any adjournment thereof. The Notice of the EGM and the Form of Proxy are enclosed herewith.

If you decide to appoint a proxy(ies) to attend and vote on your behalf at the EGM, the Form of Proxy should be completed and deposited at the office of the Company's share registrar at ShareWorks Sdn Bhd, No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL), not less than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 5 September 2020

DEFINITIONS

In this Circular and the accompanying appendices, the following words and abbreviations shall have the following meanings unless otherwise stated:-

Act	: Companies Act 2016
AIBB or Principal Adviser	: Alliance Investment Bank Berhad, being the Principal Adviser for the Proposals
Board	: Board of Directors of PHB
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
Cash Consideration	: Cash consideration of RM3,000,000, constituted by the Deposit and Completion Cash Consideration
Circular	: This circular to our shareholders dated 5 September 2020
Completion Cash Consideration	: The remaining of the Cash Consideration, after netting off the Deposit, amounting to RM1,920,000 to be paid to the Vendors in equal proportions on the SSA Completion Date in accordance with Section 5.3 of Appendix I of this Circular
Completion Consideration Shares	: 25,500,000 Consideration Shares to be issued and allotted to the Vendors in equal proportions on the SSA Completion Date in accordance with Section 5.3 of Appendix I of this Circular
Consideration Shares	: 39,000,000 new PHB Shares to be issued at the Issue Price, constituted by the Completion Consideration Shares and the Retained Consideration Shares
Deposit	: 10% of the Purchase Consideration amounting to RM1,080,000 in cash paid by the Company to the Vendors in equal proportions on the date of the SSA
Director(s)	: A director shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction was agreed upon, a director or a chief executive of PHB, its subsidiaries or holding company
EGM	: Extraordinary general meeting
EPS	: Earnings per share
Escrow Agreement	: Escrow agreement to be executed between the Vendors, PHB and the Trustee with respect to dealings on the Retained Consideration Shares
Executive Service Agreement	: Executive service agreement to be executed for a period of 5 years from the SSA Completion Date between Datuk Loh Saw Foong and TOT
FPE	: Financial period ended 30 June
FYE	: Financial year ended / ending 31 December, as the case may be
Guaranteed Profits	: A cumulative PAT of TOT for the FYE 2021 and the FYE 2022 of at least RM4,500,000

DEFINITIONS (CONT'D)

Issue Price	:	Issue price of RM0.20 per Consideration Share
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	5 August 2020, being the latest practicable date prior to the printing of this Circular
LTD	:	21 July 2020, being the last market day prior to the announcement of the Proposals on 22 July 2020
NA	:	Net assets
PAT	:	Profit after tax
PHB or the Company	:	PeterLabs Holdings Berhad
PHB Group or Group	:	PHB and its subsidiaries, collectively
PHB Shares	:	Ordinary shares in PHB
PE Multiple	:	Price to earnings multiple
Private Placement	:	The private placement of 21,473,990 new PHB Shares which was completed on 26 August 2020
Proposals	:	Proposed Acquisition and Proposed Diversification, collectively
Proposed Acquisition	:	Proposed acquisition of 60% equity interest in TOT, comprising 600,000 ordinary shares in TOT, from the Vendors for a purchase consideration of RM10,800,000 to be satisfied via combination of cash consideration of RM3,000,000 and issuance of 39,000,000 new PHB Shares at the Issue Price
Proposed Diversification	:	Proposed diversification of the existing business of PHB Group to include the distribution of consumer goods
Purchase Consideration	:	The total purchase consideration of RM10,800,000 for the Proposed Acquisition which will be satisfied via combination of the Cash Consideration and the issuance of Consideration Shares
Record of Depositors	:	Record of securities holders established by Bursa Depository pursuant to the Rules of Bursa Depository as issued pursuant to the Central Depositories Act
Retained Consideration Shares	:	13,500,000 Consideration Shares to be issued to the Trustee on the SSA Completion Date and be transferred by the Trustee to the Vendors in equal proportions in the manner as set out in Section 7 of Appendix I of this Circular
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale Shares	:	600,000 ordinary shares in TOT representing 60% equity interest in TOT
SSA	:	Conditional shares sale agreement entered into by the Company and the Vendors for the Proposed Acquisition dated 22 July 2020
SSA Completion Date	:	14 days from the date the SSA becomes unconditional unless the parties agree otherwise in writing

DEFINITIONS (CONT'D)

TOT	: Thye On Tong Trading Sdn Bhd
TOT Shares	: Ordinary shares in TOT
Trustee	: Pacific Trustees Berhad, the security trustee jointly appointed by the Company and the Vendors
Vendor(s)	: Datuk Loh Saw Foong and / or Datin Lin Ching Yein
VWAMP	: Volume weighted average market price

All references to “PHB” or “our Company” in this Circular are PHB, references to “PHB Group” or “Group” are to our Company and our subsidiaries and references to “we”, “us”, “our” and “ourselves” are to our Group, our Company, and where the context otherwise requires, our subsidiaries.

All references to “you” in this Circular are to the shareholders of our Company.

Words denoting the singular shall, where applicable, include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any reference in this Circular to any enactment, codes, rules or regulations is a reference to that enactment, codes, rules or regulations as for the time being amended or re-enacted.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

This Circular includes forward-looking statements. All statements other than statements of historical facts in this Circular including, without limitation, those regarding our Company’s financial position, business strategies, plans and objectives of our Company for future operations, are forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the “Definitions” Section and context of the Circular.

This Executive Summary highlights only the pertinent information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description								
Summary of the Proposals	<p>On 22 July 2020, AIBB had, on behalf of the Board, announced the following:</p> <ul style="list-style-type: none"> (i) Proposed acquisition of 60% equity interest in TOT, comprising 600,000 ordinary shares in TOT, from the Vendors, for a purchase consideration of RM10,800,000 to be satisfied via combination of cash consideration of RM3,000,000 and issuance of 39,000,000 new PHB Shares at the Issue Price; and (ii) Proposed diversification of the existing business of PHB Group to include the distribution of consumer goods. <p>On 4 September 2020, AIBB had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 4 September 2020, approved the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities, subject to the conditions as stated in Section 9 of this Circular.</p>								
Details of the Proposed Acquisition	<p>The Proposed Acquisition entails the acquisition by PHB of 60% equity interest in TOT, for total purchase consideration of RM10.80 million which is to be satisfied via combination of Cash Consideration and the issuance of the Consideration Shares at the Issue Price.</p> <p>TOT is principally engaged in the distribution of consumer goods, including home care, oral care, baby care and feminine care products, infant and growing up milk powder and grain products.</p> <p>Below are the key financial information of TOT in its latest FYE 2019:</p> <table border="1"> <thead> <tr> <th></th><th>FYE 2019 RM'000</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td>50,031</td></tr> <tr> <td>PAT</td><td>576</td></tr> <tr> <td>Shareholders' funds / NA</td><td>5,703</td></tr> </tbody> </table> <p>Please refer to Section 2 of this Circular for further details of the Proposed Acquisition.</p>		FYE 2019 RM'000	Revenue	50,031	PAT	576	Shareholders' funds / NA	5,703
	FYE 2019 RM'000								
Revenue	50,031								
PAT	576								
Shareholders' funds / NA	5,703								
Basis and justification in arriving at the Purchase Consideration	<p>The Purchase Consideration was arrived at on a “willing-buyer willing-seller” basis based on the PE Multiple of 8 times on the average Guaranteed Profits per annum of RM2.25 million.</p> <p>The PE Multiple of 8 times is within the range of PE Multiple of the Comparable Companies of between 7.50 times and 16.47 times, and below the average PE multiple of the Comparable Companies of 11.36 times as at the LTD.</p> <p>Please refer to Section 2.2 of this Circular for further details of the basis and justification in arriving at the Purchase Consideration.</p>								

EXECUTIVE SUMMARY (CONT'D)

Key information	Description
Basis and justification in arriving at the Issue Price	<p>The negotiations for the Proposed Acquisition between the Company and the Vendors had commenced since March 2020.</p> <p>The Issue Price of the Consideration Shares was arrived at, after taking into consideration, among others:</p> <ul style="list-style-type: none"> (i) the closing market prices and historical trading volume of PHB Shares for the past 12 months up to the LTD. The Issue Price represents a discount of RM0.0132 or 6.19% to the 12-month VWAMP of PHB Shares up to and including the LTD of RM0.2132; (ii) the Issue Price was derived after taking into consideration the EPS of PHB for the audited FYE 2019 of RM0.0199 which represents a PE Multiple of approximately 10.05 times, which is higher as compared to the PE Multiple attributed to TOT of 8 times as implied by the Purchase Consideration. Therefore, from a PE Multiple perspective, the Issue Price accords a higher value to PHB Group <p>Please refer to Section 2.3 of this Circular for further details of the basis and justification in arriving at the Issue Price.</p>
Details of the Proposed Diversification	<p>PHB, together with its subsidiaries, are principally involved in the manufacturing, trading and distribution of animal health and nutrition products. Trading segment is one of the core businesses of the Group, which is the main contributor to the revenue and profit of the Group.</p> <p>The Proposed Diversification will further expand the Group's trading segment by including the distribution of consumer goods in conjunction with the Proposed Acquisition.</p> <p>Please refer to Section 3 of this Circular for further details of the Proposed Diversification.</p>
Rationale for the Proposals	<p><u>Proposed Acquisition</u></p> <p>The Proposed Acquisition is in line with the Group's business expansion objectives and growth strategy. The Proposed Acquisition will provide an opportunity for the Group to venture into the distribution of consumer goods, which is complementary and synergistic to its existing business. The Proposed Acquisition will also enable the Group to extend its products range and provide an additional income stream to the Group.</p> <p><u>Proposed Diversification</u></p> <p>The Proposed Diversification will diversify the earnings base of the Group and reduce the business risk of dependency on its sole existing sector.</p>
Approvals required	<p>The Proposals are subject to the following approvals being obtained from the following parties:</p> <ul style="list-style-type: none"> (i) the shareholders of the Company at the forthcoming EGM; and (ii) any other relevant authorities and/or parties, if required.
Directors' recommendation	<p>The Board, having considered all aspects of the Proposals, including but not limited to the terms and conditions of the SSA, rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals at the forthcoming EGM.</p>



PETERLABS HOLDINGS BERHAD
(Registration No. 201001025806 (909720-W))
(Incorporated in Malaysia)

Registered Office:

No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

5 September 2020

BOARD OF DIRECTORS

Dato' Hon Choon Kim (*Independent Non-Executive Chairman*)
Lim Tong Seng (*Managing Director*)
Teo Chin Heng (*Executive Director*)
Yap Siaw Peng (*Executive Director*)
Lau Yeng Khuan (*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*)

To: Shareholders of PeterLabs Holdings Berhad

Dear Sir/Madam,

PROPOSALS

1. INTRODUCTION

On 22 July 2020, AIBB had, on behalf of the Board, announced the following:

- (i) Proposed acquisition of 60% equity interest in TOT, comprising 600,000 ordinary shares in TOT, from the Vendors, for a purchase consideration of RM10,800,000 to be satisfied via combination of cash consideration of RM3,000,000 and issuance of 39,000,000 new PHB Shares at the Issue Price; and
- (ii) Proposed diversification of the existing business of PHB Group to include the distribution of consumer goods.

On 4 September 2020, AIBB had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 4 September 2020, approved the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities, subject to the conditions as stated in Section 9 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSALS, AND TO SET OUT THE VIEWS AND RECOMMENDATIONS OF THE BOARD AS WELL AS TO SEEK YOUR APPROVALS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Company had on 22 July 2020, entered into the SSA with the Vendors for the Proposed Acquisition. The Proposed Acquisition entails the acquisition by PHB of the Sale Shares, from the Vendors, for the Purchase Consideration which is to be satisfied via combination of Cash Consideration and the issuance of the Consideration Shares at the Issue Price as follows:-

Vendors	No. of TOT Shares to be acquired from the Vendors	% of share capital of TOT (%)	Cash Consideration (RM'000)	No. of Consideration Shares to be issued to the Vendors ('000)	Value of the Consideration Shares (RM'000)
Datuk Loh Saw Foong	300,000	30	1,500	19,500	3,900
Datin Lin Ching Yein	300,000	30	1,500	19,500	3,900
	600,000	60	3,000	39,000	7,800

The mode of settlement of the Purchase Consideration was arrived at after due consideration of the Group's cash flow position for operational and capital expenditure requirements.

Upon signing of the SSA, 10% of the Purchase Consideration amounting to RM1,080,000 in cash, being the Deposit, had been paid by the Company to the Vendors in equal proportions on the date of the SSA. The balance of the Purchase Consideration shall be payable by PHB to the Vendors in accordance to the terms of the SSA in the following manner:

- (i) the Completion Cash Consideration of RM1,920,000 shall be paid to the Vendors in equal proportions on the SSA Completion Date in accordance with Section 5.3 of Appendix I of this Circular;
- (ii) 25,500,000 of Completion Consideration Shares shall be issued and allotted to the Vendors in equal proportions on the SSA Completion Date in accordance with Section 5.3 of Appendix I of this Circular; and
- (iii) 13,500,000 of Retained Consideration Shares shall be issued to the Trustee, on the SSA Completion Date and transferred by the Trustee to the Vendors in equal proportions in the manner as set out in Section 7 of Appendix I of this Circular.

In consideration of the Company agreeing to purchase the Sale Shares in accordance with the terms of the SSA from the Vendors, the Vendors covenant with and undertake to the Company that TOT shall achieve the Guaranteed Profits, being the cumulative PAT for the FYE 2021 and FYE 2022 of at least RM4.50 million. The Trustee shall hold the Retained Consideration Shares which is equivalent to the amount of RM2.70 million on trust for the Vendors in accordance with the terms of the Escrow Agreement. The Retained Consideration Shares shall be released to the Vendors subject to the achievement of the Guaranteed Profits. Should there be any loss after tax incurred in the FYE 2021 and / or FYE 2022, it should also be taken into consideration in arriving at the cumulative PAT for the purpose of determining the performance of the Guaranteed Profits in the manner as set out in Section 7 of Appendix I of this Circular. Please refer to Section 7 of Appendix I of this Circular for further details of the Guaranteed Profits.

In addition to the Guaranteed Profits, the parties also acknowledge and agree that the Proposed Acquisition is on the basis that on the SSA Completion Date, the NA of TOT will be of at least RM2.50 million which shall be verified by the Company's appointed external auditors. If such warranty on the NA could not be met by the Vendors, the Company is entitled for the rights and remedies available as the non-defaulting party as stipulated under the terms of the SSA. Any surplus of the NA of TOT on the SSA Completion Date will be declared as cash dividend to its existing shareholders subject to the approval of the directors of TOT and compliance with applicable laws and regulations.

Please refer to Appendix I of this Circular for the salient terms of the SSA.

2.1 Background Information on TOT

2.1.1 Incorporation and principal activities

TOT was incorporated in Malaysia on 31 December 1979 and deemed registered under the Act as a private limited company and commenced its business operations on the even date. TOT is principally engaged in the distribution of consumer goods, including home care, oral care, baby care and feminine care products, infant and growing up milk powder and grain products. TOT has been involved in the business of distribution of consumer goods for more than 30 years.

As at to-date, TOT operates 2 sales offices, with the head office located at Senawang, Seremban, Negeri Sembilan and a branch office located at Durian Tunggal, Melaka. Currently, TOT rents and operates a warehouse located at Senawang, Seremban, Negeri Sembilan with total built-up area of approximately 1.50 acres and total capacity for storage of approximately 3,000 pallets.

TOT distributes only third-party foreign and local brands products. It is the distributor and / or appointed agent for the following 5 brand principals and / or agent:

- (i) Colgate-Palmolive Marketing Sdn. Bhd.;
- (ii) Abbott Laboratories (M) Sdn. Bhd.;
- (iii) Vinda Marketing (M) Sdn. Bhd.;
- (iv) DKSH Malaysia Sdn. Bhd.; and
- (v) GoodMorning Global Sdn. Bhd.

TOT mainly distributes its products to retailers such as supermarkets, mini markets, sundry shops, convenience stores, pharmacies, petrol kiosks, Chinese medical halls and hardware stores, providing market access and coverage in Negeri Sembilan, Melaka, Northern Region of Johor, Southern Region of Selangor and Cheras. The existing customers of TOT include amongst others, Mr. D.I.Y. Trading Sdn Bhd, NSK Group Sdn Bhd, KK Mart group of companies, The Store (Malaysia) Sdn Bhd, Billion Shopping Centre Sdn Bhd and Alpro Pharmacy Sdn Bhd. TOT's revenue for the past 3 FYE 2017 to 2019 were generated from the domestic market.

As at the LPD, TOT has a total of 67 employees, which are set out as below:

Division	No. of employees
Sales and marketing	28
Accounts	5
Warehouse and logistic	24
Clerical and administration	10

Details of the properties owned by TOT are set out as follows:

No.	Location	Description / Existing use	Age of buildings (years)	Built-up area (square feet)	Owner / Tenure	Audited net book value as at 31 December 2019 (RM'000)
1.	Lot 1143, No. 13, Jalan Yam Tuan, 70000 Seremban, Negeri Sembilan and No. 14, Jalan Siow Loong Hin, 70000 Seremban, Negeri Sembilan ⁽¹⁾	2 units of 2-storey shop office / Rental property	78	3,972	Owned by TOT / Freehold	240
2.	Lot 9009, No. 27, Jalan Lombong Emas 4, Seremban Light Industrial Park, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan ⁽¹⁾	Factory premises comprising a 1.5-storey office block / Rental property	20	10,463	Owned by TOT / Freehold	418
3.	Lot 9010, No. 29, Jalan Lombong Emas 4, Seremban Light Industrial Park, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan ⁽¹⁾	Factory premises comprising a 1.5-storey office block / Rental property	20	10,538	Owned by TOT / Freehold	427
4.	PT 4025, No. 157, Jalan Bukit Intan 4, Taman Bukit Intan, Off Jalan Labu, 70200 Seremban, Negeri Sembilan ⁽¹⁾	A 2.5-storey detached bungalow / Rental property	14	6,935	Owned by TOT / Freehold	713
5.	No. 27, Jalan BPS 3, Bandar Prima Senawang, 70450 Seremban ⁽²⁾	2-storey shop office / Rental property	3	3,080	Owned by TOT / Leasehold	1,042

Notes:

- (1) These properties will be disposed by TOT at an aggregate agreed price of RM1,800,000 ("**Disposal Consideration**") to the Vendors and / or such investment holding company as may be nominated by the Vendors pursuant to the sales and purchase agreements to be entered into between TOT and the Vendors prior to the completion of the Proposed Acquisition, which is stipulated under the Conditions Precedent of the SSA. The Disposal Consideration was arrived at based on the audited net book value of the properties as at 31 December 2019 and to be satisfied by cash. Please refer to Section 4 of Appendix I of this Circular for further information in regards of the Conditions Precedent.
- (2) The property is leasehold with 99 years lease expiring on 22 December 2115 and unexpired lease of 95 years. The property is currently rented to third party at a monthly rental of approximately RM5,700.

2.1.2 Share capital

As at the LPD, the share capital of TOT is RM1,000,000 comprising 1,000,000 TOT Shares.

As at the LPD, TOT does not have any subsidiary or associate company.

2.1.3 Directors of TOT and their shareholdings in TOT

As at the LPD, the directors and shareholders of TOT and their respective shareholdings in TOT are as follows:

	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of TOT Shares	%	No. of TOT Shares	%
Directors and shareholders					
Datuk Loh Saw Foong	Malaysian	480,000	48.00	520,000 ⁽¹⁾	52.00
Datin Lin Ching Yein	Malaysian	480,000	48.00	520,000 ⁽²⁾	52.00
Shareholder					
Loh Chia Wei	Malaysian	40,000	4.00	-	-

Notes:

- (1) Deemed interested by virtue of his spouse Datin Lin Ching Yein's and his son Loh Chia Wei's direct shareholdings in TOT.
- (2) Deemed interested by virtue of her spouse Datuk Loh Saw Foong's and her son Loh Chia Wei's direct shareholdings in TOT.

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2.1.4 Financial Information

The summary of the financial information of TOT based on the financial statements of TOT for the past 3 FYE 2017 to 2019 are as follows:

	<----- Audited FYE----->		
	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	50,918	48,390	50,031
Gross profit	4,351	4,681	5,329
Profit before tax	350	386	870
PAT	226	291	576
Share capital	1,000	1,000	1,000
Shareholders' funds / NA	4,936	5,127	5,703
 Gross profit margin (%)	 8.55	 9.67	 10.65
 No of shares in issue ('000)	 1,000	 1,000	 1,000
NA per share (RM)	4.94	5.13	5.70
Net EPS (sen)	22.60	29.10	57.60
 Total Borrowings (RM'000)	 17,047	 15,903	 16,758
Gearing (times)	3.45	3.10	2.94
Current ratio (times)	1.13	1.17	1.20

2.1.4.1 Commentaries

Comparison between FYE 2016 and FYE 2017

The revenue for the FYE 2017 decreased by RM1.00 million or 1.93%, from RM51.92 million to RM50.92 million, mainly due to termination of agreement with one brand principal during the financial year. However, there was an increase in gross profit of RM0.40 million or 9.98% and the gross profit margin has increased from 7.62% in the FYE 2016 to 8.55% in the FYE 2017. This was mainly due to the timing differences in recognising the quarterly and yearly sales target incentive from customers.

The increase in gross profit had also contributed to the increase in PAT from RM0.08 million for the FYE 2016 to RM0.23 million for the FYE 2017, representing an increase of RM0.15 million or 187.50%.

Comparison between FYE 2017 and FYE 2018

The revenue for the FYE 2018 decreased by RM2.53 million or 4.97%, from RM50.92 million to RM48.39 million, mainly due to the following:

- (i) lower sales contribution from Abbott Nutrition products due to price competition from competitors; and
- (ii) termination of agreement with one brand principal during the financial year.

However, there was an increase in gross profit of RM0.33 million or 7.58% and the gross profit margin has increased from 8.55% in the FYE 2017 to 9.67% in the FYE 2018. This was mainly due to the timing differences in recognising the quarterly and yearly sales target incentive from customers.

The increase in gross profit had also contributed to the increase in PAT from RM0.23 million for the FYE 2017 to RM0.29 million for the FYE 2018, representing an increase of RM0.06 million or 26.09%.

Comparison between FYE 2018 and FYE 2019

The revenue for the FYE 2019 increased by RM1.64 million or 3.39%, from RM48.39 million to RM50.03 million, mainly due to higher sales recorded for Colgate-Palmolive products as a result of better promotions offered for Colgate-Palmolive products. There was an increase in gross profit of RM0.65 million or 13.84% and the gross profit margin has increased from 9.67% in the FYE 2018 to 10.65% in the FYE 2019. This was mainly due to the timing differences in recognising the yearly sales target incentive from customers.

The PAT for the FYE 2019 increased by RM0.29 million or 97.94%, from RM0.29 million to RM0.58 million, which is in line with the increase in revenue as well as better gross profit margin attained during the financial year.

2.1.4.2 Accounting policies and audit qualification

Based on the audited financial statements of TOT for the past 3 FYE 2017 to 2019:

- (i) there were no exceptional or extraordinary items reported in TOT's audited financial statements;
- (ii) there are no accounting policies adopted by TOT which are peculiar to TOT due to the nature of its business or the industry which it is involved in; and
- (iii) TOT's external auditors had not issued any audit qualification on its financial statements.

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2.1.5 Material Commitments

As at the LPD, the directors of TOT are not aware of any material commitments incurred or known to be incurred by TOT, which may have an impact on TOT's PAT or NA upon becoming enforceable.

2.1.6 Contingent Liabilities

As at the LPD, the directors of TOT are not aware of any contingent liabilities incurred or known to be incurred by TOT, which upon becoming enforceable, may have an impact on TOT's PAT or NA.

2.1.7 Material Contracts

There is no material contract (not being contract entered into in the ordinary course of business) which has been entered into by TOT within 2 years immediately preceding the date of this Circular.

2.1.8 Material Litigation, Claims or Arbitration

As at the LPD, TOT is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant or otherwise, and the directors of TOT is not aware of any proceedings pending or threatened against TOT, or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of TOT.

2.2 Basis and justification in arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis based on the PE Multiple of 8 times on the average Guaranteed Profits per annum of RM2.25 million.

PE Multiple is a valuation metric used in valuing a company by measuring its current share price relative to its EPS. PE Multiple indicates the dollar amount an investor can expect to invest in a company in order to receive a dollar of that company's earnings. The PE Multiple of the comparable companies was used to gauge the company's value relative to its peers.

The Board is of the view that the PE Multiple is considered a suitable reference in arriving at the Purchase Consideration due to the following reasons:

- (i) earnings is considered a key determinant of the value of TOT, which is essentially a trading based company;
- (ii) TOT has been operating in the same business operations for the past FYE 2017 – 2019 and has been operating profitably with PAT of approximately RM0.58 million in the latest audited FYE 2019; and
- (iii) the assets of TOT essentially consist of trade receivables, inventories and investment properties in which TOT's business relies mainly on its distribution networks and distribution agreements with the principals/agents together with the expertise of its directors and key management.

In justifying the Purchase Consideration, the Board has taken into consideration the comparable companies listed on Bursa Securities that are involved in similar activities with a market capitalisation of less than RM500 million but not directly comparable with the TOT due to, among others, composition and geographical coverage of business activities, scale of operations, reputation, profit track record, financial strength, risk profile, asset base and future prospects ("**Comparable Companies**"). The principal activities and the PE Multiple of the Comparable Companies are as follows:

Comparable Companies	Principal activities	Closing share price (RM)	Earnings/ (Loss) per share (RM)	PE Multiple⁽¹⁾ (times)
Kim Teck Cheong Consolidated Berhad (" KTC Consolidated ")	KTC Consolidated and its subsidiaries are involved in the distribution of consumer packaged goods, manufacturing of bakery products, warehousing as well as a brand owner and procurement.	0.165	0.022	7.50
Harrisons Holdings (Malaysia) Berhad (" Harrisons Holdings ")	Harrisons Holdings and its subsidiaries are involved in the marketing, sales and distribution of building materials, industrial and agricultural chemical products, liquor products, consumer goods, engineering and the operation of retail, shipping, insurance and travel agencies.	3.890	0.392	9.92
Cocoaland Holdings Berhad (" Cocoaland ")	Cocoaland and its subsidiaries are involved in the manufacturing, trading, wholesaling and retailing all kinds of processed and preserved foods and fruits and, wholesaling, importing and exporting gummy products and other products.	1.800	0.156	11.54
Apollo Food Holdings Berhad (" Apollo ")	Apollo and its subsidiaries are principally engaged in manufacturing, trading, distributing and marketing of compound chocolates, chocolate confectionery products and layer cakes in overseas and local markets.	3.590	0.218	16.47
Average				11.36

(Source: Latest annual reports of the Comparable Companies and Bloomberg)

Note:

(1) PE Multiple is computed based on the closing share price of the Comparable Companies as at the LTD and the earnings per share of the Comparable Companies based on the latest audited financial statements of the Comparable Companies as at LTD.

The PE Multiple of 8 times is within the range of PE Multiple of the Comparable Companies of between 7.50 times and 16.47 times, and below the average PE multiple of the Comparable Companies of 11.36 times as at the LTD.

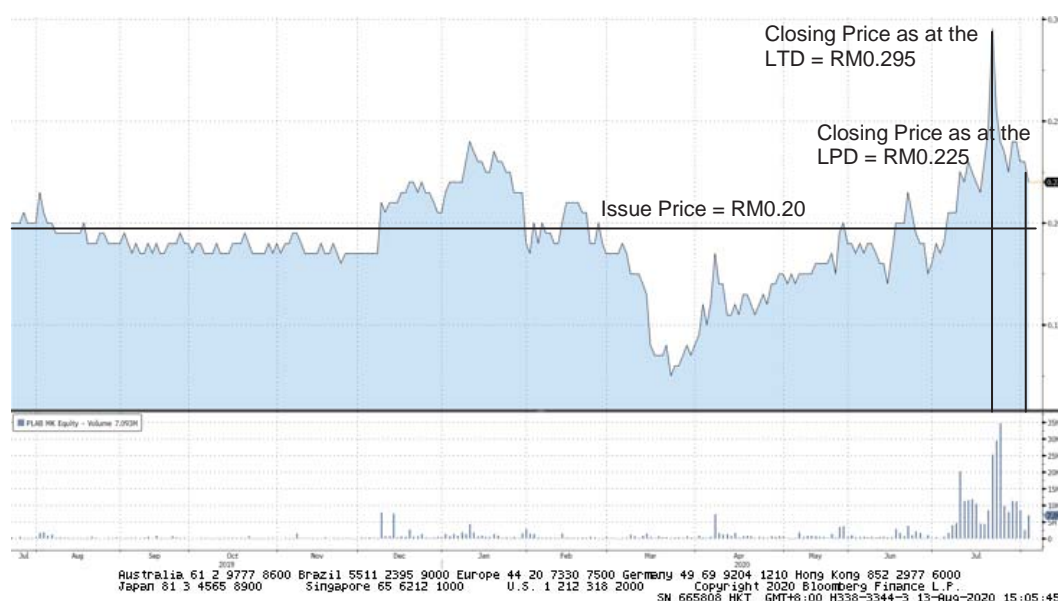
The Board is of the view that the Purchase Consideration is justifiable and is of the opinion that the Guaranteed Profits is reasonable and realistic, after taking into consideration, among others, the following:

- (i) the prospects of the enlarged PHB Group and the potential synergistic benefits to be derived from the Proposals as set out in Section 5.3 of this Circular;
- (ii) new distributorship secured by TOT from Vinda Marketing (M) Sdn. Bhd. on 1 April 2020 which is expected to contribute positively to the financial performance of TOT for the FYE 2020; and
- (iii) potential additional distribution territories to be secured from the existing brand principals and / or agent which is expected to contribute positively to the financial performance of TOT in the future.

2.3 Basis and justification in arriving at the Issue Price

The negotiations for the Proposed Acquisition between the Company and the Vendors had commenced since March 2020. The Issue Price of the Consideration Shares was arrived at on a direct negotiation and arm's length basis and pursuant to the mutual agreement between the Company and the Vendors after taking into consideration the following:

- (i) the closing market prices and historical trading volume of PHB Shares for the past 12 months up to the LTD, which are illustrated in the following chart:-



It can be observed that the trading prices of PHB Shares exhibited an increasing trend and traded above the Issue Price from July 2020 up to the LTD. There has been a spike in the share price of PHB Shares during the said period accompanied by a sudden increase in volumes traded. However, there was no material announcement or material changes in the financial performance of PHB Group throughout the said period, save for the announcement in relation to the Private Placement on 13 July 2020.

As shown in the chart above, the PHB Shares were generally traded below or close to the Issue Price, save for December 2019, January 2020 and February 2020. In addition, PHB Shares have relatively low trading volumes during the 12-month prior to the LTD. Please refer to Section 8 of this Circular for the monthly highest and lowest prices of PHB Shares as traded on Bursa Securities for the past 12 months up to July 2020.

Taking into the consideration the above, the Issue Price represents a discount of RM0.0132 or 6.19% to the 12-month VWAMP of PHB Shares up to and including the LTD of RM0.2132, in which such time period is more reflective in determining the VWAMP of PHB Shares. The Board is of the view that the discount is reasonable based on the following:

- (a) the Guaranteed Profits to be provided by the Vendors and the rationale of the Proposed Acquisition as set out in Section 7 of Appendix I and Section 4.1 of this Circular, respectively;
 - (b) PHB Group would be able to conserve its cash for working capital purposes for its existing business as well as its new business in the distribution of consumer goods; and
 - (c) the willingness of the Vendors to accept the Consideration Shares as part of settlement for the Purchase Consideration instead of cash.
- (ii) the Issue Price was derived after taking into consideration the EPS of PHB for the audited FYE 2019 of RM0.0199 which represents a PE Multiple of approximately 10.05 times. As such, the Consideration Shares were issued at a higher PE Multiple (i.e. 10.05 times) as compared to the PE Multiple attributed to TOT of 8 times as implied by the Purchase Consideration. Therefore, from a PE Multiple perspective, the Issue Price accords a higher value to PHB Group.

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The Issue Price represents a discount of RM0.0488 or 19.61% to the 5-day VWAMP of PHB Shares up to and including the LTD of RM0.2488. For information purpose, a comparison of the Issue Price against the respective VWAMP of PHB Shares is as follows:

	Issue Price RM	VWAMP RM	Discount of the Issue Price to VWAMP RM	%
5-day VWAMP of PHB Shares up to and including the LPD	0.20	0.2336	0.0336	14.38
5-day VWAMP of PHB Shares up to and including the LTD	0.20	0.2488	0.0488	19.61
1-month VWAMP of PHB Shares up to and including the LTD	0.20	0.2316	0.0316	13.64
3-month VWAMP of PHB Shares up to and including the LTD	0.20	0.2230	0.0230	10.31
6-month VWAMP of PHB Shares up to and including the LTD	0.20	0.2138	0.0138	6.45
12-month VWAMP of PHB Shares up to and including the LTD	0.20	0.2132	0.0132	6.19

(Source: Bloomberg)

2.4 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with each other and with the then existing PHB Shares, save and except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Consideration Shares are allotted on or prior to the entitlement date of such dividends, rights, allotments and/or other distribution.

2.5 Listing of and quotation for the Consideration Shares

On 4 September 2020, we have received the approval letter from Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities, subject to the conditions as set out in Section 9 of this Circular.

2.6 Source of funding

The Purchase Consideration will be satisfied via combination of Cash Consideration and the allotment and issuance of the Consideration Shares to the Vendors. The Cash Consideration shall be funded via the proceeds raised from the Private Placement.

2.7 Liabilities to be assumed by PHB

There are no liabilities, including contingent liabilities and guarantees, to be assumed by PHB arising from the Proposed Acquisition. The liabilities of TOT will be settled by TOT in their ordinary course of business.

2.8 Additional financial commitment required

The Company does not expect to incur any additional material financial commitment to put the business of TOT on-stream as the business of TOT is already in operation and generating profits.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

PHB, together with its subsidiaries, are principally involved in the manufacturing, trading and distribution of animal health and nutrition products. The Group's products include animal feed and health additives, nutrition and medication premixes and veterinary pharmaceutical, which are mainly used in the livestock industry.

Trading segment is one of the core business of the Group, which is the main contributor to the revenue and profit of the Group. In FYE 2019, the Group expanded to offer a wider range of products, including pet foods in order to support the growth of the segment. In line with the existing business strategy, the Group intends to undertake the Proposed Diversification to further expand its trading segment by including the distribution of consumer goods in conjunction with the Proposed Acquisition.

Pursuant to the Proposed Acquisition, the Board anticipates the new business activities in the distribution of consumer goods may contribute 25% or more of the net profits of the PHB Group. In this regard, in accordance with Rule 10.13 of the Listing Requirements of Bursa Securities, the Board proposes to seek the approval of the shareholders at the forthcoming EGM for the Proposed Diversification in conjunction with the Proposed Acquisition.

The Group will leverage on the experience and expertise of the existing management of TOT, namely Datuk Loh Saw Foong ("**Datuk Loh**") and Datin Lin Ching Yein ("**Datin Lin**") in managing the distribution of consumer goods business of TOT. The profiles of Datuk Loh and Datin Lin are set out as below:

(i) **Datuk Loh**

Datuk Loh, aged 54, a Malaysian, is the Managing Director and Chief Executive Officer ("**CEO**") of TOT, mainly responsible for the overall management and strategic directions of TOT. He completed his secondary education in 1984 from St. Paul's Institution, Seremban.

Datuk Loh has more than 30 years of experiences in the industry of distribution of consumer goods. Upon completion of his secondary education in 1984, he joined TOT as a retail assistant, which was then a traditional Chinese medical hall managed by his father and family, mainly supplying Chinese herbal medicine and groceries. Datuk Loh was mainly responsible for assisting the sales and marketing activities of TOT. Subsequently in 1994, Datuk Loh was appointed as the Managing Director and CEO of TOT. Datuk Loh has consistently expanded the business of TOT to the distribution of consumer goods.

(ii) **Datin Lin**

Datin Lin, aged 53, a Malaysian, is the Director of TOT. She completed her tertiary education (Sijil Tinggi Persekolahan Malaysia) in 1986 from King George V, Seremban.

Datin Lin started her career in 1987 as a teacher in a private institution. Subsequent thereto, Datin Lin joined TOT in 1988 as an administrative officer where she is responsible in the administrative and human resource functions of the company. Datin Lin was then appointed as the Director of TOT in 1994, mainly responsible in overseeing the day-to-day operations of TOT.

Datuk Loh has been instrumental in the growth and development of TOT and has been a key driving force in the expansion of TOT business in distribution of consumer goods. Recognising the key role of Datuk Loh in TOT, the Executive Service Agreement will be executed with Datuk Loh for a period of five (5) years.

In addition to the above, the Executive Director of PHB, Ms Yap Siaw Peng ("**Ms Yap**"), aged 48, a Malaysian, will be involved in the overall strategic direction and planning for the business of distribution of consumer goods of the Group. She will be appointed as the director of TOT upon the completion of the Proposed Acquisition, mainly responsible in overseeing the financial matters and day-to-day operations of TOT.

Ms Yap obtained her Bachelor Degree of Accounting with Honours from The University of Hull in United Kingdom in 1998. She began her career with Digi Telecommunication Sdn Bhd as an Accounts Officer in 1988 until 2000. From 2000 to 2003, she served as a Senior Accounts Executive and Credit Controller in RS Components Sdn Bhd. From 2003 to 2010, she joined Avery Dennison Materials Sdn Bhd ("**Avery**"), an American Fortune 500 Company, as a Finance Manager and 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 during her service tenure in Avery.

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.

Ms Yap has played a vital role in the growth and development of the business of PHB. She has approximately 10 years of experience in PHB which involves trading and distribution of animal health and nutrition products. She has equipped with the relevant experience / knowledge to manage and operate the business of distribution of consumer goods.

Notwithstanding the Proposed Diversification, the Board will continue with the existing business activities of the PHB Group.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Acquisition

The Proposed Acquisition is in line with the Group's business expansion objectives and growth strategy. The Proposed Acquisition will provide an opportunity for the Group to venture into the distribution of consumer goods, which is complementary and synergistic to its existing business.

The Proposed Acquisition enables the Group to extend its products range and provide an additional income stream to the Group. TOT is the distributor and / or appointed agent for 5 brand principals and / or agent, namely Colgate-Palmolive Marketing Sdn. Bhd., Abbott Laboratories (M) Sdn. Bhd., Vinda Marketing (M) Sdn. Bhd., DKSH Malaysia Sdn. Bhd. and GoodMorning Global Sdn. Bhd. Potential synergies can be tapped by leveraging on the existing customer base, distribution networks and logistic facilities of TOT. This will strengthen the business of the Group and put the Group in a better financial position to compete with its competitors in the market.

Upon completion of the Proposed Acquisition, the assets of and the profits generated by TOT will be consolidated into the Group. The Board expects that the Proposed Acquisition will contribute positively to the future earnings of the Group, given the established business of TOT and the Guaranteed Profits provided.

4.2 Proposed Diversification

The Board, having considered various growth options to enhance shareholders' value, had identified the distribution of consumer goods as a complementary business to be included in the existing business of the Group. The Board had taken into consideration that consumer goods, which are considered as essential items and are relatively stable in demand. Consumer goods have high turnover as it is important in consumer consumption and is consumed rapidly. The Proposed Diversification will diversify the earnings base of the Group and reduce the business risk of dependency on its sole existing sector.

The Board is of the view that the Proposed Diversification will add value and contribute positively to the future growth of the Group, thereby enhancing value to its shareholders.

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5. INDUSTRY OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in second quarter (2Q) 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; third quarter (3Q) 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (first quarter (1Q) 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order (“**MCO**”), followed by the Conditional MCO (“**CMCO**”) and Recovery MCO (“**RMCO**”), during 2Q 2020.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments.

Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued. During this challenging period, stimulus measures such as the disbursement of Bantuan Prihatin Nasional cash transfers, Employees Provident Fund i-Lestari withdrawals and the implementation of the loan moratorium helped to cushion consumption spending.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (“**CPI**”), declined to -2.6% during the quarter (1Q 2020: 0.9%). The lower headline inflation was primarily due to the substantial decline in retail fuel prices (average RON95 petrol price per litre in 2Q 2020: RM 1.37; 1Q 2020: RM 1.96) and the implementation of the tiered electricity tariff rebate beginning the month of April.

Notwithstanding the negative headline inflation, the decline in prices was not broad-based. In April, a relatively larger share of CPI items recorded unchanged prices (61%; March: 50%) amid the MCO which resulted in a significant reduction in economic activity. As economic activity gradually resumed under the CMCO and RMCO beginning from early May, there were some signs of normalisation in prices with a gradual increase in the share of CPI items recording price increases (May: 36%; June: 44%).

The COVID-19 pandemic and the ensuing unprecedented containment measures have brought about significant changes to the way the economy operates. Beyond the near-term impact, there are also channels that would lead to structural implications on inflation dynamics in the longer term. As we transition into a new normal, however, there remains a significant amount of uncertainty surrounding the future assessment of inflation and growth trajectories – a common sentiment across countries. While the situation has begun to stabilise, it is certain that we are not in the clear yet and thus greater vigilance is necessary as we continue to assess any changes in inflation dynamics.

In second half (2H) 2020, average headline inflation is expected to remain negative largely due to low retail fuel prices. Stimulus measures to alleviate cost burdens, such as the tiered electricity tariff rebate, would also keep inflation low. However, headline inflation is projected to decline by a smaller magnitude compared to 2Q 2020 as global oil prices continue to recover and economic conditions gradually improve.

The Malaysian inflation rate for 2019 was 0.7%.

Meanwhile, headline inflation is likely to be negative for 2020, averaging within Bank Negara Malaysia's earlier projection of -1.5% to 0.5%.

For 2021, headline inflation is forecasted to average higher between 1% and 3%, in line with the longer term historical average. This mainly reflects the expected recovery in global oil prices and improvement in domestic demand conditions.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia; The World Bank Group, <https://www.data.worldbank.org/>; and Press article entitled "BNM revises 2020 GDP forecast to between -3.5% and -5.5% amid unprecedented MCO length", 14 August 2020, <https://www.theedgemarkets.com/>)

5.2 Outlook of the Malaysian consumer sector and distribution of consumer goods

The services sector grew at a faster rate (fourth quarter (4Q) 2019:6.1%; 3Q 2019: 5.9%). Growth was mainly driven by firm consumer-related spending, particularly in the food and beverages and accommodation sub-sector, as well as motor vehicles.

The services sector contracted by 16.2% (1Q 2020: 3.1%). The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as information and communication entities allowed to operate with very limited capacity. The subsequent transition to CMCO in May and RMCO in June provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant declines in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors.

The wholesale and retail trade subsector remains the key driver of the services sector. In 2019, the subsector is expected to grow 6.8% following expansion in the retail segment, particularly with the increasing number of convenience stores. However, the wholesale segment is projected to decline as hypermarkets are reviewing their business model due to high operating costs.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2019 and Second Quarter of 2020, Bank Negara Malaysia; and Economic Outlook 2020, Ministry of Finance Malaysia)

5.3 Prospects of the enlarged PHB Group

While PHB Group will continue with its existing business in the manufacturing, distribution and trading of animal health and nutrition products, the Group intends to increase its products range to include consumer products, for instance, home care, oral care, baby care and feminine care products, infant and growing up milk powder, and grain products.

Synergistic benefits are expected to be derived from the Proposals. The PHB Group will be able to leverage on TOT's existing business to increase the range of products of PHB Group. In addition, the PHB Group will also be able to leverage on TOT's existing distribution network to market the Company's existing products such as pet foods. The Proposals will enable the enlarged PHB Group to provide broader range of products to its clientele, thus enhancing its profitability.

Moving forward, TOT plans to expand its market coverage in Selangor. TOT will endeavour to secure distributorship contract for additional territories within the Klang Valley from the existing brand principals and / or agents by leveraging on their close business relationships. If TOT successfully secured additional distributorship contracts, additional employees will be hired for the respective division based on requirement, the actual number of employees and position could not be determined at this juncture. The business expansion plan is still at initial conceptual stage, the timeframe and funding required could not be determined at this juncture.

The PHB Group believes that the prospect for the Proposals is optimistic in light of the growth in the retail segment particularly the increasing number of convenience stores, based on the Economic Outlook 2020 issued by the Ministry of Finance. The management of PHB is of the view that the Proposals will contribute positively to the Group's future earnings and improve the financial position of PHB Group.

(Source: Management of PHB)

6. RISK FACTORS

The Proposals may expose the PHB Group to certain risk factors which include the following:-

6.1 Business diversification risk

The Proposed Diversification would result in the diversification of the Group's core business to include the distribution of consumer goods. The Group will then be subjected to the new challenges and risks inherent in such new business, including amongst other, competition from other competitors in the market, supply and demand condition, impact by changes in economic, political and social conditions and discretionary consumer spending. There can be no assurance that the anticipated benefits of the Proposed Diversification will be realised which will in turn enhance the Group's financial performance.

The Group seeks to mitigate the risk by leveraging on the competency of the existing key management team with vast experience in the industry, including the Executive Service Agreement as highlighted in Section 4.1(a) of Appendix I of this Circular.

6.2 Dependence on key personnel

The continued success of TOT is dependent on the ability, commitment and efforts of the executive directors and key management of TOT. As such, the loss of services of any of the executive directors and/or key management of TOT without any suitable and prompt replacement may adversely affect the continued ability of TOT to compete successfully in the business of distribution of consumer goods.

Recognising the importance of the key personnel, the Executive Service Agreement will be entered into with Datuk Loh Saw Foong prior to the completion of the Proposed Acquisition for a period of five (5) years, with the aim to prevent any disruption to the operations of TOT after the completion of the Proposed Acquisition. In addition, the Group will also leverage on the expertise and experience of its existing Executive Directors, Ms Yap Siaw Peng, in managing and operating the business of distribution of consumer goods.

The Group will continuously adopt appropriate approaches or measures to attract and retain the key personnel, including but not limited to offering incentives and competitive remuneration packages. The Group will use its best endeavour to reduce the dependency on particular key personnel by striving to attract qualified and experienced employees, as well as addressing succession planning by grooming junior employees to complement the management team. This will help to ensure continuity and competency of the Group's management team.

6.3 Non-completion risk

The completion of the Proposed Acquisition is subject to the fulfilment of the Conditions Precedent set out in Section 4.1(a) of Appendix I of this Circular, some of which are beyond the control of the Company. Should any of the Conditions Precedent not be fulfilled or waived, the SSA may be terminated and the Proposed Acquisition will not be completed.

The Company will use its best endeavours to ensure that there is no delay in fulfilling all the Conditions Precedent by the parties concerned and to obtain all necessary approvals from the relevant authorities and shareholders for the completion of the Proposed Acquisition.

6.4 Dependency on the distribution of third-party brands of consumer goods

TOT is involved in the distribution of multiple brands of consumer goods, which include amongst others, Colgate-Palmolive, Abbott Nutrition, Vinda, Wyeth Nutrition, Mead Johnson Nutrition and GoodMorning. The distributorship agreements are renewable at the end of the tenure of the respective agreements, subject to the approval of the respective brand principals or agents. In this respect, any disruptions in the business dealings with these brand principals and / or agent, or termination of the distributorship agreement may affect the Group's business and financial performance.

Nonetheless, TOT has established close business relationships with the brand principals and / or agent for up to 13 – 25 years (with the exception of GoodMorning and Vinda whom TOT only started the distribution of their products in 2017 and 2020, respectively). The close business relationship with the brand principals and / or agent will provide the Group with the basis for continuing to distribute such brands of consumer goods. However, there can be no assurance that the potential risk of business disruption from distribution of third-party brands of consumer goods or termination on the distributorship agreement would not have a material adverse impact on the Group financial performance in the future.

In the future, TOT will continuously secure additional distributorship contract from new brand principals to reduce the risk of dependency on its existing products only.

6.5 Covid-19 pandemic

On 16 March 2020, the Government announced the imposition of the MCO to curb the spread of Covid-19 outbreak in Malaysia which took effect from 18 March 2020 to 3 May 2020, which required all government and private premises except those involved in providing essential services to be closed during the period of enforcement of MCO.

The Group business is susceptible to any outbreak of diseases or pandemics, such as Covid-19, to certain extent that it causes interruptions to the business operations including supply chain and logistic. These interruptions, if prolonged, will adversely affect the Group's business operations and financial performance. Similarly, any global or regional economic downturn would also affect overall business and consumer sentiments which would subsequently affect the financial performance of the Group.

Nonetheless, TOT is mainly involved in the distribution of consumer goods such as home care, oral care, baby care and feminine care products, infant and growing up milk powder, and grain products which are considered as essential goods, having lower elasticity of demand as compared to non-essential goods. During the MCO period, TOT was able to continue its operations as such operations fall under the purview of essential services, while still observing strict operating procedures. Since TOT was able to operate its business as usual during the MCO period, TOT's overall operation and financial performance was not materially adversely affected by the Covid-19 and the MCO.

However, there could be no assurance that any outbreak of diseases which are beyond the Group's control, will not materially affect the financial performance of the Group.

6.6 Impairment risk

The Purchase Consideration may give rise to the recognition of the estimated goodwill of approximately RM9.30 million, being the difference between the Purchase Consideration and the fair value of the identifiable assets and liabilities of TOT. The amount of goodwill that may arise will be accounted for in the financial statements of the enlarged PHB Group upon completion of the Proposed Acquisition. The goodwill, if any, will be subjected to periodic impairment testing and any downward adjustment to the goodwill will affect the financial position and results of the enlarged PHB Group.

6.7 Third-party e-commerce platforms

The success of TOT may subject to its ability to respond and adapt promptly to the evolving changes in consumer taste and preferences. Customer expectations regarding the method of purchasing and receiving their products have been evolving over the years and become more demanding, especially with the emergence of various e-commerce platforms. Retail customers have and will become more proficient in optimising the online platform to compare products and prices in order to make purchases. The increasing use of e-commerce may adversely impact the operators in the distributive trade industry especially those that rely on physical sales outlets. If we are unable to compete effectively with e-commerce, the business and financial performance may be adversely affected.

Nonetheless, TOT mainly distributes its products to retailers and not directly to the end-customers. However, the Group will continue to adapt and anticipate any changes in consumer taste and preferences.

7. EFFECTS OF THE PROPOSALS

The effects of the Proposals on the share capital, substantial shareholders' shareholdings in PHB, NA, gearing, earnings and EPS of the PHB Group are as follows:

7.1 Issued share capital

The pro forma effects of the Proposed Acquisition on the issued share capital of the Company are as follows:

	No. of PHB Shares (^{'000})	RM' ⁰⁰⁰
As at the LPD	214,740	27,459
Adjusted for subsequent event		
Private Placement ⁽¹⁾	21,474	4,294 ⁽²⁾
To be issued pursuant to:		
Proposed Acquisition	39,000	7,800 ⁽³⁾
Enlarged issued share capital	275,214	39,553

Notes:

- (1) 21,473,990 new PHB Shares were issued at an issue price of RM0.206 per share pursuant to the Private Placement on 26 August 2020.
- (2) After deducting the expenses of approximately RM130,000 incurred in relation to the Private Placement including the placement fee.
- (3) Based on the Issue Price of RM0.20.

The Proposed Diversification will not have any effect on the issued share capital of the Company as it does not involve any issuance of new shares by the Company.

7.2 NA and gearing

For illustrative purposes only, based on the audited consolidated statements of financial position of PHB as at 31 December 2019 and on the assumption that the Proposed Acquisition had been effected on that date, the pro forma effects of the Proposed Acquisition on the NA and gearing of the PHB Group are as follows:

	Audited as at 31 December 2019 (RM' ⁰⁰⁰)	⁽¹⁾ Adjusted for subsequent event (RM' ⁰⁰⁰)	After the Proposed Acquisition (RM' ⁰⁰⁰)
Share capital	27,459	31,753 ⁽²⁾	39,553 ⁽³⁾
Unappropriated profits	25,011	25,011	24,611 ⁽⁴⁾
Equity attributable to owners of the Company / NA	52,470	56,764	64,164⁽⁵⁾
No. of PHB Shares in issue (^{'000})	214,740	236,214	275,214 ⁽³⁾
NA per PHB Share (RM)	0.24	0.24	0.23
Total borrowings (RM' ⁰⁰⁰)	6,807	6,807	23,565
Gearing ratio (times)	0.13	0.12	0.37

Notes:

- (1) 21,473,990 new PHB Shares were issued at an issue price of RM0.206 per share pursuant to the Private Placement on 26 August 2020.
- (2) After deducting the expenses of approximately RM130,000 incurred in relation to the Private Placement including the placement fee.
- (3) After taking into account the issuance of 39,000,000 Consideration Shares pursuant to the Proposed Acquisition.
- (4) After deducting the estimated expenses of RM400,000 to be incurred in relation to the Proposals.
- (5) After adjusting for the estimated goodwill of approximately RM9.30 million based on the Purchase Consideration of RM10.80 million after netting off the NA of at least RM2.50 million as at the SSA Completion Date as agreed by the Company and the Vendors pursuant to the SSA.

As discussed in Section 6.6 of this Circular, impairment risk could arise from the goodwill that may be accounted when the Proposed Acquisition is completed. Hence, the pro forma effect above does not take into consideration any potential impairment of goodwill as the Proposed Acquisition is not completed yet.

The goodwill, if any, will be subjected to periodic impairment testing and any downward adjustment to the goodwill will affect the financial position and results of the enlarged PHB Group, the effect of which could not be determined at this juncture.

The profit contributions arising from the Proposed Diversification are expected to have a positive impact on the future NA of the Group while the gearing of the Group will depend on, among others, the manner of funding for the new business of distribution of consumer goods.

7.3 Earnings and EPS

The Proposals will not have any immediate effect on the consolidated earnings and EPS of the PHB Group for the FYE 2019. However, the Proposals are expected to contribute positively to the future earnings of the PHB Group.

For illustrative purposes only, the pro forma effects of the Proposed Acquisition on the earnings and EPS of the PHB Group on the assumption that the Proposed Acquisition has been effected on 1 January 2019, are as follows:

	Audited as at 31 December 2019	Adjusted for subsequent event	After the Proposed Acquisition
PAT attributable to the owners of PHB (RM'000)	4,275	4,275	4,621 ⁽¹⁾
No. of PHB Shares issued ('000)	214,740	236,214 ⁽²⁾	275,214 ⁽³⁾
EPS (sen)	1.99	1.81	1.68

Notes:

- (1) Assuming 60% of the PAT of TOT for the FYE 2019 amounting to approximately RM0.58 million attributable to the owners of PHB.
- (2) 21,473,990 new PHB Shares were issued at an issue price of RM0.206 per share pursuant to the Private Placement on 26 August 2020.
- (3) After taking into account the issuance of 39,000,000 new PHB Shares pursuant to the Proposed Acquisition.

7.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition on the substantial shareholders' shareholdings in the Company are as follows:

Substantial shareholders	As at the LPD			Adjusted for subsequent event ⁽¹⁾		
	Direct		Indirect	Direct		Indirect
	No. of PHB Shares	%	No. of PHB Shares	%	No. of PHB Shares	%
Teo Chin Heng	21,270,109	9.91	-	-	21,270,109	9.00
GL Equity Partners Limited	18,800,000	8.75	-	-	18,800,000	7.96
Lim Tong Seng	12,943,238	6.03	-	-	12,943,238	5.48
Pro Forma I ⁽²⁾						
Substantial shareholders	After the Proposed Acquisition					
	Direct		Indirect			
	No. of PHB Shares	%	No. of PHB Shares	%	No. of PHB Shares	%
Teo Chin Heng	21,270,109	7.73	-	-	-	-
GL Equity Partners Limited	18,800,000	6.83	-	-	-	-
Lim Tong Seng	12,943,238	4.70	-	-	-	-
Datuk Loh Saw Foong	19,500,000	7.09	19,500,000 ⁽³⁾	7.09	-	-
Lin Ching Yein	19,500,000	7.09	19,500,000 ⁽⁴⁾	7.09	-	-

Notes:-

- (1) 21,473,990 new PHB Shares were issued at an issue price of RM0.206 per share pursuant to the Private Placement on 26 August 2020.
- (2) Assuming the Guaranteed Profits are achieved and the Retained Consideration Shares are fully released to the Vendors in equal proportions.
- (3) Deemed interested by virtue of his spouse Datin Lin Ching Yein's direct shareholdings in the Company.
- (4) Deemed interested by virtue of her spouse Datuk Loh Saw Foong's direct shareholdings in the Company.

The Proposed Diversification will not have any effect on the substantial shareholders' shareholdings in the Company as it does not involve any issuance of new shares by the Company.

7.5 Convertible securities

As at the LPD, the Company does not have any convertible securities.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of PHB Shares as traded on Bursa Securities for the past 12 months up to July 2020 are as follows:

	High (RM)	Low (RM)
<u>2019</u>		
August	0.220	0.185
September	0.195	0.185
October	0.195	0.180
November	0.195	0.180
December	0.235	0.180
<u>2020</u>		
January	0.245	0.190
February	0.215	0.175
March	0.195	0.120
April	0.210	0.145
May	0.205	0.165
June	0.215	0.170
July	0.320	0.180
Last transacted market price of PHB Shares as at the LTD		RM0.295
Last transacted market price of PHB Shares as at the LPD		RM0.225

(Source: Bloomberg)

9. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained from the following parties:

- (i) Bursa Securities, for the listing of and quotation for the Consideration Shares, which was obtained vide its letter dated 4 September 2020, subject to the following conditions:

Conditions	Status of compliance
(a) PHB and AIBB must fully comply with the relevant provisions under the ACE LR pertaining to the implementation of the Proposed Acquisition;	Noted
(b) PHB and AIBB to inform Bursa Securities upon the completion of the Proposed Acquisition;	To be met

	Conditions	Status of compliance
(c)	PHB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed;	To be met
(d)	Compliance by PHB with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, AIBB is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the ACE LR to Bursa Securities, prior to the listing and quotation of the Consideration Shares; and	To be met
(e)	PHB to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Acquisition and Proposed Diversification.	To be met
(ii)	the shareholders of the Company for the Proposed Acquisition at the forthcoming EGM;	
(iii)	the shareholders of the Company for the Proposed Diversification at the forthcoming EGM; and	
(iv)	any other relevant authorities and/or parties, if required.	

The Proposed Acquisition and the Proposed Diversification are inter-conditional. However, the Proposals are not conditional or inter-conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of PHB and/or persons connected with them have any interest, whether direct or indirect, in the Proposals.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the terms and conditions of the SSA, rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals at the forthcoming EGM.

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the Listing Requirements is 31.31% calculated based on the audited total assets of TOT compared with the audited total assets of the PHB Group.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 4th quarter of 2020. The tentative timetable in relation to the completion of the Proposals is as follows:

Tentative Date	Event
28 September 2020	EGM for the Proposals
Early October 2020	Completion of the Proposals

14. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, our Board confirms that as at the date of this Circular, there are no other outstanding corporate exercises that have been announced but pending completion by the Company.

15. EGM

The EGM will be held at Halia Hall, d'Tempat Country Club, PT 12653, Jalan Pusat Dagangan Sendayan 1, 71950 Bandar Sri Sendayan, Negeri Sembilan, on Monday, 28 September 2020 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions as set out in the Notice of EGM enclosed in this Circular, with or without modifications, to give effect to the Proposals.

If you are entitled but unable to attend and vote at the forthcoming EGM, you are requested to complete, sign and return the enclosed Form of Proxy enclosed in accordance with the instructions printed therein as soon as possible, so as to arrive at the office of the Company's share registrar at ShareWorks Sdn Bhd, No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not later than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Shareholders are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
PETERLABS HOLDINGS BERHAD

DATO' HON CHOON KIM
Independent Non-Executive Chairman

APPENDIX I – SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:

1. Sale and purchase of the Sale Shares

The Vendors jointly and severally agree to sell and the Company agrees to purchase the Sale Shares free from all encumbrances and security interest, together with all rights and advantages attaching thereto at the Purchase Consideration which is arrived at on a willing-buyer willing-seller basis upon the terms and conditions of the SSA.

2. Purchase Consideration

2.1 The parties agree that the Purchase Consideration is determined on a willing-buyer and willing-seller basis based on the PE Multiple of 8 times on the average Guaranteed Profits per annum of RM2,250,000 of TOT.

2.2 Subject to the terms and conditions in the SSA, the Purchase Consideration shall be satisfied by the Company in the following manner:

- (iv) Deposit;
- (v) Completion Cash Consideration;
- (vi) Completion Consideration Shares; and
- (vii) Retained Consideration Shares.

3. Basis of transaction

Without limiting any provision of the SSA, the parties acknowledge and agree that the transaction is on the basis that on the SSA Completion Date:

- (a) TOT is validly existing and is not wound up;
- (b) the Sale Shares are and will continue to be free from any encumbrance and security interest;
- (c) the warranties, representations and undertakings remain true and accurate; and
- (d) the NA of TOT will be of at least RM2,500,000 which shall be verified by the Company's appointed external auditors and any surplus of the NA of TOT on the SSA Completion Date will be declared as cash dividend subject to the approval of the directors of TOT and compliance with applicable laws and regulations.

APPENDIX I – SALIENT TERMS OF THE SSA (CONT'D)

4. Conditions Precedent

4.1 Conditions

- (a) The parties agree that the transaction is conditional upon the effective fulfilment of the following conditions precedent within 6 months from the date of the SSA or such other date the parties may mutually agree in writing ("**Conditional Period**"):
- (i) There are no material adverse findings on TOT based on the results of the financial and/or legal due diligence inquiry to be conducted on TOT by the representatives of the Company;
 - (ii) The approval-in-principle of Bursa Securities for the listing of and quotation for the Completion Consideration Shares and Retained Consideration Shares on the ACE Market of Bursa Securities;
 - (iii) The execution of sale and purchase agreements for the sale of the following properties ("**Properties**") at the agreed purchase price of RM1,800,000 to Datuk Loh Saw Foong and Datin Lin Ching Yein and/or such investment holding company as may be nominated by them and the fulfillment of all conditions precedent to the sale and purchase agreements for the Properties:
 - property held under land title Geran 71175, Lot 1143 including buildings thereon erected with postal address of No. 13, Jalan Yam Tuan, 70000 Seremban, Negeri Sembilan and No. 14, Jalan Siow Loong Hin, 70000 Seremban, Negeri Sembilan;
 - property held under land title Geran 148866, Lot 9009 including buildings thereon erected with postal address of No. 27, Jalan Lombong Emas 4, Seremban Light Industrial Park, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan;
 - property held under land title Geran 148867, Lot 9010 including buildings thereon erected with postal address of No. 29, Jalan Lombong Emas 4, Seremban Light Industrial Park, Jalan Tun Dr. Ismail, 70200 Seremban, Negeri Sembilan; and
 - property held under land title Geran 179040, Lot 14008 including buildings thereon erected with postal address of No. 157, Jalan Bukit Intan 4, Taman Bukit Intan, Off Jalan Labu, 70200 Seremban, Negeri Sembilan,
 - (iv) The execution of a tenancy agreement in respect of the premises (existing warehouse of TOT) bearing postal address Lot 88, Jalan Senawang 3, Senawang Industrial Estate, 70450 Seremban between the landlord of foregoing premises and TOT for a minimum tenancy period of 3 years with an option to renew the tenancy period for a further 3 years by TOT;
 - (v) The execution of the Executive Service Agreement;
 - (vi) The execution of the Escrow Agreement;
 - (vii) The approval of the shareholders of the Company for the Company to:
 - carry out the Proposed Acquisition, if required;
 - issue and allot the Completion Consideration Shares and Retained Consideration Shares pursuant to the Proposed Acquisition; and
 - diversify the existing business of the Group to include distribution of consumer goods.

APPENDIX I – SALIENT TERMS OF THE SSA (CONT'D)

- (viii) Such other consents or approvals as may be necessary from any governmental or regulatory body or competent authority, financiers, brand principals or third party having jurisdiction over the sale of the Sale Shares which are mutually agreed on by the parties, having been granted, waived or obtained,

(collectively the “**Conditions Precedent**”).

- (b) The parties undertake to procure the fulfilment of the Conditions Precedent that are applicable to them within the Conditional Period; and
- (c) The Company may at its sole discretion at any time waive in whole or in part and conditionally or unconditionally any of the Conditions Precedent.

4.2 Non-fulfilment of the Conditions Precedent

Subject to the terms as set out in the SSA, unless specifically waived by the Company at its absolute discretion, if any of the Conditions Precedent are not fulfilled before the expiry of the Conditional Period, the SSA shall cease and determine and the Vendors shall within 3 business days from the expiry of the Conditional Period return the Deposit to the Company free of interest. Thereafter, neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any warranties, representation, undertaking and any of the terms of the SSA.

4.3 When the SSA becomes unconditional

Upon receipt of written confirmation from the Company or the Company's solicitors that all the Conditions Precedent are fulfilled within the Conditional Period or waived by the Company, as the case may be, the SSA will become unconditional.

5. Completion

5.1 SSA Completion Date and venue

Subject to fulfilment of the Conditions Precedent and the terms and conditions of the SSA, the completion of the SSA (“**Completion**”) will take place on SSA Completion Date at the offices of the Company or at such other time and place as the parties agree in writing.

5.2 Vendors' obligations on Completion

On the SSA Completion Date:

- (a) the Company's Solicitors shall be duly authorised to deliver all the relevant stake documents to the Company; and
- (b) the Vendors shall deliver a board resolution of TOT (certified as true copy by the company secretary of TOT) revoking all existing authority of bank signatories of TOT and granting authority to such person(s) the Company nominates to operate TOT's bank accounts, particulars of which shall be notified by the Company to the Vendors at least 5 business days before the SSA Completion Date.

5.3 Company's obligations on Completion

In exchange of the documents as provided in Section 5.2(a) of this Appendix above, the Company shall:

- (a) cause the Completion Cash Consideration to be paid to the Vendors in equal proportions;

APPENDIX I – SALIENT TERMS OF THE SSA (CONT'D)

- (b) cause the Completion Consideration Shares to be allotted and issued to each of the Vendors in equal proportions by crediting as fully paid the Completion Consideration Shares into the CDS Account of each of the Vendors;
- (c) cause the Retained Consideration Shares to be allotted and issued to the Trustee by crediting as fully paid into the CDS Account of the Trustee and such Retained Consideration Shares shall be dealt with in the manner as set out in Section 7 of this Appendix; and
- (d) cause one person as may be nominated by the Vendors to be appointed as a director of the Company.

6. TERMINATION OF THE SSA**6.1 If a party (“Defaulting Party”):**

- (a) fails to proceed to Completion despite the fulfilment of all the Conditions Precedent in the manner prescribed under Section 4.3 of this Appendix;
- (b) fails to carry out any obligation on its part under the SSA required for Completion;
- (c) is in breach of any term of the SSA prior to the SSA Completion Date; and/or
- (d) in the case of the Vendors, any of the warranties contained in the SSA are false, incorrect or incomplete such as to render the warranties misleading,

and the Defaulting Party fails to remedy such breach within 30 days after the other party (“**Non-Defaulting Party**”) has given that Defaulting Party written notice of such breach, the Non-Defaulting Party may give written notice to the Defaulting Party:

- (a) terminating the SSA and claiming damages;
- (b) enforcing specific performance of the SSA against the Defaulting Party;
- (c) defer Completion to a date not more than 30 days after SSA Completion Date or such other date as may be agreed by the parties in writing; or
- (d) proceed to Completion so far as practicable (without prejudice to their rights under the SSA).

In addition to any other rights or remedies as may be available to the Non-Defaulting Party under the law and/or equity.

6.2 In the event that the Completion does not take place due to any failure to satisfy any or all the Conditions Precedent or the occurrence of any event which is beyond the control of the parties, each party must return all documents, if any, delivered to it by the other party or on behalf of the other party, to the other party. Thereafter, the SSA shall cease and terminate and no party shall have any claims against the other save for:

- (a) antecedent breach of any representations, undertakings; and/or
- (b) as provided for in the SSA.

For the avoidance of doubt, each party shall bear its own costs and expenses with respect to this agreement in the event the SSA is terminated due to any failure to satisfy any or all the Conditions Precedent or the occurrence of any event which is beyond the control of the parties.

APPENDIX I – SALIENT TERMS OF THE SSA (CONT'D)

6.3 Notwithstanding Section 4.2 of this Appendix and subject to Section 10 of this Appendix:

- (a) Where the Defaulting Party is the Company, the Vendors shall be entitled to forfeit and retain the Deposit.
- (b) Where the Defaulting Party is any of the Vendors, the Vendors shall cause the Deposit to be refunded to the Company free of interest within 3 business days from the termination of the SSA.

7. Guaranteed Profits and Retained Consideration Shares

7.1 In consideration of the Company agreeing to purchase the Sale Shares in accordance with the terms of the SSA from the Vendors, the Vendors covenant with and undertake to the Company that TOT shall achieve the Guaranteed Profits. For the purpose of computation of the PAT and determination of the performance of the Guaranteed Profits, the PAT shall be based on TOT's audited financial statements for the FYE 2021 and the FYE 2022 audited by the Company's appointed external auditors which are registered with Audit Oversight Board (AOB), which shall in the absence of manifest error be conclusive, final and binding.

7.2 The parties agree that the Retained Consideration Shares shall be allotted and issued to the Trustee on the SSA Completion Date and the Trustee shall hold the Retained Consideration Shares on trust for the Vendors in accordance with the terms of the Escrow Agreement to be entered into between the Vendors, the Company and the Trustee.

7.3 The Retained Consideration Shares shall be released to the Vendors in 2 tranches by the Trustee in the manner as set out in below in the event the Guaranteed Profits are achieved:

- (a) Upon finalization of TOT's audited financial statements for the FYE 2021, the parties agree that the Company shall within 14 business days from the date of filing of TOT's financial statements for the FYE 2021 with Companies Commission of Malaysia ("CCM") or any other date to be mutually agreed by the Company and the Vendors, instruct the Trustee to transfer part of the Retained Consideration Shares to the Vendors (in equal proportions) in accordance with the terms of the Escrow Agreement based on the actual PAT achieved for the FYE 2021 calculated as follows: -

$$E = \frac{A}{B} \times C$$

E	The number of Retained Consideration Shares to be transferred to the Vendors which shall be distributed to each Vendor in equal proportions
A	The actual PAT achieved for the FYE 2021
B	The Guaranteed Profits
C	The Retained Consideration Shares

- (b) Upon finalization of TOT's audited financial statements for the FYE 2022, in the event that TOT's aggregate PAT for the FYE 2021 and the FYE 2022, as determined based on TOT's audited financial statements is of at least the Guaranteed Profits, the Company shall within 14 business days from the date of filing of TOT's audited financial statements with CCM for the FYE 2022 or any other date to be mutually agreed by the Company and Vendors, the Company shall instruct the Trustee to transfer the balance Retained Consideration Shares to the Vendors (in equal proportions) in accordance with the terms of the Escrow Agreement;

7.4 The Retained Consideration Shares shall be dealt with by the Trustee in the manner as set out below in the event the Guaranteed Profits are not achieved:

APPENDIX I – SALIENT TERMS OF THE SSA (CONT'D)

- (a) In the event that the TOT's aggregate PAT for the FYE 2021 and the FYE 2022, as determined based on TOT's audited financial statements is less than the Guaranteed Profits, the Company shall issue a written notice to the Vendors on the shortfall ("**Shortfall Notice**") no later than 14 days from the date of filing of TOT's audited financial statements for the FYE 2022 with CCM and the Vendors shall have 14 days from the Shortfall Notice to top up the shortfall in cash to the Company and the Company shall instruct the Trustee to transfer the balance Retained Consideration Shares to the Vendors (in equal proportions) in accordance with the terms of the Escrow Agreement.
 - (b) If the Vendors fail to top up the shortfall within the prescribed period as set out in Section 7.4(a) of this Appendix above, the Company shall instruct the Trustee in accordance with the term of the Escrow Agreement to sell the balance Retained Consideration Shares held in trust in the open market and pay the proceeds from the sale after deducting the brokerage fees and related expenses to TOT as compensation for the shortfall in the Guaranteed Profits.
 - (c) In the event the proceeds from the sale of the balance Retained Consideration Shares are insufficient to cover the shortfall for the Guaranteed Profits, the Vendors shall in equal proportions, pay the shortfall to TOT within 14 business days upon receipt of notice from the Company.
- 7.5 For the avoidance of doubt, any Retained Consideration Shares as may be received by the Vendors shall form part of the Purchase Consideration and the Vendors shall only be entitled to up to the maximum amount of the Retained Consideration Shares and no additional payment will be made by the Company to the Vendors in the event the aggregate PAT of the Company for the FYE 2021 and the FYE 2022 is over and above the Guaranteed Profits.
- 7.6 Notwithstanding the undertaking to achieve the Guaranteed Profits, the Vendors and the Company agree that the Company shall be entitled to declare and pay dividends for FYE 2021 and FYE 2022 subject to approval of the directors of TOT and compliance with applicable laws and regulations.

8. Moratorium

The Vendors jointly and severally agree and undertake to the Company that 9,000,000 of the Completion Consideration Shares imposed in equal proportions on the Vendors' Completion Consideration Shares ("**Moratorium Shares**") will be subjected to a moratorium period of 2 years commencing from the SSA Completion Date ("**Moratorium Period**") and they shall not sell and/or create any encumbrances or security interests over the Moratorium Shares during the Moratorium Period.

9. Non-competition

The Vendors undertake to the Company that they shall:

- (a) not whether directly or indirectly carry any business or be engaged in any business that is in direct competition to or in conflict with the business of distribution of consumer goods whether by themselves, through third party(ies) or together with any other person; and
 - (b) not to solicit customers or former customers of the business of TOT nor divert or seek to divert any customer from TOT; and
 - (c) not to solicit employee(s) nor divert or seek to divert any employee of the Company,
- within Malaysia for a period of 2 years from the SSA Completion Date.

10. Costs and Expenses

- (a) Each party shall bear its own legal costs and expenses in relation to the negotiation, preparation and execution of the SSA and other documents referred to in it in the event the Proposed Acquisition is completed.
- (b) Notwithstanding Section 10(a) above, in the event the Proposed Acquisition is terminated regardless of whether the Company or the Vendors is the defaulting party, all costs and expenses as may be incurred by the Company and the Vendors on the Proposed Acquisition shall be shared equally by the Company and the Vendors and the relevant party shall reimburse the other parties on such costs and expenses as may be incurred on the Proposed Acquisition.

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THYE ON TONG TRADING SDN. BHD.
197901009455 (53740-X)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the distribution of consumer goods.

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

RESULTS

	RM
Profit for the financial year	<u>575,726</u>

DIVIDEND

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before financial statements of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance of doubtful debts in the financial statements of the Company inadequate to any substantial extent.

Registration No. 197901009455 (53740-X)

DIRECTORS' REPORT (continued)

CURRENT ASSETS

Before the financial statements of the Company was prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Registration No. 197901009455 (53740-X)

DIRECTORS' REPORT (continued)

ISSUE OF SHARES OR DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Datuk Loh Saw Foong
Datin Lin Ching Yein

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interest of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

Interest in the Company

	Number of ordinary shares			At 31.12.2019
	At 1.1.2019	Bought	Sold	
Direct interests:				
Datuk Loh Saw Foong	200,000	280,000	-	480,000
Datin Lin Ching Yein	760,000	-	(280,000)	480,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of the emoluments received or due and receivable by the directors as disclosed in Note 19 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Registration No. 197901009455 (53740-X)

DIRECTORS' REPORT (continued)

INDEMNITY TO DIRECTORS AND OFFICERS

Every director, managing director, agent, auditor, secretary, and other officer for the time being of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016 in which relief is granted to him by the Court in respect of any negligence default breach of duty or breach of trust.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year are disclosed in Note 25 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 18 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

Registration No. 197901009455 (53740-X)

DIRECTORS' REPORT (continued)

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed by the Board of Directors in accordance with a resolution of the directors:



DATUK LOH SAW FOONG
Director



DATIN LINCHING YEIN
Director

Date: 12 August 2020

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 RM	2018 RM
ASSETS			
Non-current assets			
Plant and equipment	5	719,601	249,357
Investment properties	6	2,839,964	2,905,796
Intangible asset	7	-	-
Total non-current assets		3,559,565	3,155,153
Current assets			
Inventories	8	4,332,591	6,030,492
Trade receivables	9	7,719,702	8,212,226
Other receivables, deposits and prepayments	10	1,775,147	335,081
Cash and cash equivalents	11	6,548,309	4,911,584
Current tax assets		-	125,152
Total current assets		20,375,749	19,614,535
TOTAL ASSETS		23,935,314	22,769,688
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	1,000,000	1,000,000
Retained earnings	13	4,703,083	4,127,357
TOTAL EQUITY		5,703,083	5,127,357
Non-current liabilities			
Loan and borrowings	14	1,163,630	807,769
Deferred tax liabilities	15	76,414	27,220
Total non-current liabilities		1,240,044	834,989
Current liabilities			
Loan and borrowings	14	15,594,341	15,095,262
Trade payables	16	1,125,703	1,075,706
Other payables, deposits and accruals	17	148,599	636,374
Current tax liabilities		123,544	-
Total current liabilities		16,992,187	16,807,342
TOTAL LIABILITIES		18,232,231	17,642,331
TOTAL EQUITY AND LIABILITIES		23,935,314	22,769,688

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

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Revenue		50,030,805	48,389,671
Cost of sales		(44,701,319)	(43,708,988)
Gross profit		5,329,486	4,680,683
Other income		379,949	366,800
Administrative expenses		(4,102,601)	(3,938,633)
Other operating expenses		(1,469)	(4,500)
		(4,104,070)	(3,943,133)
Profit from operations		1,605,365	1,104,350
Finance costs		(735,680)	(717,965)
Profit before tax	18	869,685	386,385
Tax expense	20	(293,959)	(95,242)
Profit for the financial year, representing total comprehensive income for the financial year		575,726	291,143

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

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Share capital RM	Retained earnings RM	Total Equity RM
At 1 January 2018		1,000,000	3,936,214	4,936,214
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year		-	291,143	291,143
Transaction with owners				
Dividends paid on shares, representing total transactions with owners		-	(100,000)	(100,000)
At 31 December 2018		1,000,000	4,127,357	5,127,357
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year		-	575,726	575,726
At 31 December 2019		1,000,000	4,703,083	5,703,083

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

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM
Cash flows from operating activities			
Profit before tax		869,685	386,385
Adjustments for:			
Bad debt written off		1,469	4,500
Depreciation on plant and equipment		269,995	177,563
Depreciation on investment properties		65,832	65,832
Gain on disposal of plant and equipment		(40,799)	-
Interest expense		735,680	717,965
Interest income		(94,130)	(130,447)
Operating profit before changes in working capital		1,807,732	1,221,798
Inventories		1,697,901	(234,358)
Receivables		(949,011)	1,717,548
Payables		(222,060)	(1,064,637)
Net cash generated from operations		2,334,562	1,640,351
Tax refunded		-	(134,375)
Tax paid		3,931	-
Net cash from operating activities		2,338,493	1,505,976
Cash flows from investing activities			
Interest received		94,130	130,447
Repayment from a related party		-	(124,386)
Placement of fixed deposits pledged with licensed banks		(214,697)	(248,503)
Proceeds from disposal of plant and equipment		46,700	-
Purchase of plant and equipment		(117,140)	(38,834)
Net cash used in investing activities		(191,007)	(281,276)

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM	2018 RM
Cash flows from financing activities			
Drawdown/(Repayments) of bankers' acceptances		390,000	(1,047,000)
Interest paid		(735,680)	(717,965)
Repayments of finance lease liabilities		(116,842)	(51,888)
(Repayment to)/Advances from a related party		(215,718)	162,257
Repayment of term loans		(47,218)	(44,653)
Net cash used in financing activities		<u>(725,458)</u>	<u>(1,699,249)</u>
Net increase/(decrease) in cash and cash equivalents		1,422,028	(474,549)
Cash and cash equivalents at the beginning of the financial year		<u>1,245,256</u>	<u>1,719,805</u>
Cash and cash equivalents at the end of the financial year	11	<u><u>2,667,284</u></u>	<u><u>1,245,256</u></u>

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

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office and principal place of business of the Company is located at Lot 88, Senawang Light Industrial Estate, 70450 Seremban, Negeri Sembilan Darul Khusus.

The Company is principally engaged in the distribution of consumer goods. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 August 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with the Malaysian Private Entities Reporting Standard ("MPERS") issued by the Malaysian Accounting Standards Board ("MASB") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.3 Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.4 Use of estimates and judgement

The preparation of financial statements in conformity with the MPERS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Company.

3.1 Property, plant and equipment

(a) Recognition and measurement

All property, plant and equipment are initially measured at cost.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

Cost of asset comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use, and, if any, the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal depreciation rates are as follows:

Office equipment, furniture and fittings and electrical fittings	10% - 20%
Machinery and motor vehicles	10% - 20%
Renovation	10%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively over the remaining useful life.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost. Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses, as the fair value of the building cannot be reliably determined without undue cost or effort due to the incremental cost to engage an independent valuer substantially exceed the benefits that the shareholders would receive from having the information. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.8(b).

Depreciation of the investment property of the Company is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life.

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively over the remaining useful life.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use.

3.3 Intangible asset

Intangible asset represents the amount paid for acquisition of a partnership business known as "Thye On Tong & Co." on 1 January 1980. Intangible asset is stated at cost less impairment losses, if any.

3.4 Inventories

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

Costs are calculated using the first in, first out method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

3.5 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If the Company is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the effective interest method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature and accounted for in accordance with applicable Standards in the MPERS. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

For operating leases, the Company does not capitalize the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognized as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(b) Lessor accounting

If the Company is a lessor in a finance lease, it derecognizes the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognized in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If the Company is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lessee's benefits from the leased asset even if the receipt of payments is not on that basis.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are recognised initially the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at present value of the future payments discounted at a market rate of interest for a similar debt instrument.

(a) Subsequent measurement

The Company categorises the financial instruments as follows:

(i) Financial assets

For the purpose of subsequent measurement, the Company classifies financial assets at amortised costs.

Financial assets are subject to review for impairment in accordance with Note 3.8(a).

(ii) Financial liabilities

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

(b) Derecognition

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are settled or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset derecognised and the consideration received, including any newly created rights and obligations, is recognised in profit or loss.

A financial liability is derecognised when, and only when, it is extinguished, which is either when the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.8 Impairment of assets

(a) Impairment of financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment. If there is objective evidence of impairment, impairment loss is recognised in profit or loss immediately.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

An impairment loss is measured as follows:

- for a financial asset measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.
- for a financial asset measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the Company shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The Company shall recognise the amount of the reversal in profit or loss immediately.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Company makes an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs").

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

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss.

3.9 Equity instruments

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.10 Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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.

3.11 Revenue and other income

(a) Sale of goods

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

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Revenue and other income

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised on an accrual basis.

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Company.

(b) Defined contribution plan

As required by law, the Company contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in profit or loss in the period in which the employees render their services.

3.13 Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred by using the effective interest method.

3.14 Taxes

Tax expense in profit or loss comprises current and deferred tax.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxes (continued)

(b) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- Where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Registration No. 197901009455 (53740-X)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statement of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial statements include the following:

(a) Depreciation and useful lives of plant and equipment and investment properties

As disclosed in Note 3.1 and 3.2, the Company reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Company's property, plant and equipment and investment properties are disclosed in Note 5 and 6.

(b) Classification between investment properties and property, plant and equipment

Certain property comprises a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could not be sold separately (or leased out separately as a finance lease), the Company accounts for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply of goods and services or for administrative purposes. Management uses judgement to determine whether any ancillary services are of such significance that a property does not qualify as an investment property.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

(c) Write-down of obsolete or slow-moving inventories

The Company write down its obsolete or slow-moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow-moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Company's inventories are disclosed in Note 8.

5. PLANT AND EQUIPMENT

	Office equipment, furniture and fittings and electrical fittings RM	Machinery and motor vehicles RM	Renovation RM	Total RM
Cost				
At 1 January 2019	637,404	1,126,055	200,564	1,964,023
Additions	48,190	697,950	-	746,140
Disposal	-	(123,116)	-	(123,116)
At 31 December 2019	685,594	1,700,889	200,564	2,587,047
Accumulated depreciation				
At 1 January 2019	490,151	1,040,749	183,766	1,714,666
Depreciation charge for the financial year	53,017	208,579	8,399	269,995
Disposal	-	(117,215)	-	(117,215)
At 31 December 2019	543,168	1,132,113	192,165	1,867,446
Carrying amount				
At 31 December 2019	142,426	568,776	8,399	719,601
At 31 December 2018	147,253	85,306	16,798	249,357
Depreciation charge for the financial year ended 31 December 2018	54,178	114,986	8,399	177,563

- (a) The carrying amount of assets under finance lease arrangements as at the end of the financial year are as follows:

	2019 RM	2018 RM
Motor vehicles	556,921	59,335

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6. INVESTMENT PROPERTIES

	Freehold land and buildings RM	Leasehold land and building RM	Total RM
Cost			
At 1 January/31 December 2019	2,661,996	1,108,000	3,769,996
Accumulated depreciation			
At 1 January 2019	814,588	49,612	864,200
Depreciation charge for the financial year	49,295	16,537	65,832
At 31 December 2019	863,883	66,149	930,032
Carrying amount			
At 31 December 2019	1,798,113	1,041,851	2,839,964
At 31 December 2018	1,847,408	1,058,388	2,905,796
Depreciation charge for the financial year ended 31 December 2018	49,295	16,537	65,832

- (a) The net carrying amount of investment properties pledged to the financial institutions for banking facilities granted to the Company as disclosed in Note 14 are as follows:

	2019 RM	2018 RM
Freehold land and buildings	1,085,803	1,120,794
Leasehold land and building	1,041,851	1,058,388
	<u>2,127,654</u>	<u>2,179,182</u>

7. INTANGIBLE ASSETS

	RM
Cost	
At 1 January/31 December 2019	<u>100,000</u>
Accumulated impairment loss	
At 1 January/31 December 2019	<u>(100,000)</u>
Carrying amount	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>-</u>

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8. INVENTORIES

	2019 RM	2018 RM
At cost:		
Finished goods	4,332,591	6,030,492

During the financial year, inventories of the Company recognised as cost of sales amounted to RM1,697,901 (2018: RM234,358).

9. TRADE RECEIVABLES

	Note	2019 RM	2018 RM
Third parties	(a)	7,746,908	8,239,432
Less: Impairment for trade receivables	(b)	(27,206)	(27,206)
		7,719,702	8,212,226

(a) The Company's normal trade credit terms extended to customers ranging from 14 to 120 days (2018: 14 to 120 days).

(b) The impairment loss of trade receivables are as follows:

	2019 RM	2018 RM
At 1 January	27,206	59,721
Written off	-	(32,515)
At 31 December	27,206	27,206

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	2019 RM	2018 RM
Other receivables		1,595,315	160,088
Deposits		128,910	133,410
Prepayments		76,739	67,400
		1,800,964	360,898
Less: Impairment for other receivables	(a)	(25,817)	(25,817)
		1,775,147	335,081

(a) The impairment loss of other receivables are as follows:

	2019	2018
At 1 January/31 December	25,817	25,817

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11. CASH AND CASH EQUIVALENTS

	2019 RM	2018 RM
Cash and bank balances	2,667,284	1,245,256
Short-term deposits placed with licensed banks [Note (a)]	3,881,015	3,666,328
Cash and cash equivalents as reported in statement of financial position	6,548,299	4,911,584
Less: Pledged deposits	(3,881,015)	(3,666,328)
Cash and cash equivalents as reported in statement of cash flows	2,667,284	1,245,256

- (a) The short-term deposits placed with licensed banks are placement with period more than 3 months and bear interest at rates ranging from 2.90% to 3.35% (2018: 3.10% to 3.35%) per annum. The short-term deposits are pledged to licensed banks for banking facilities granted to the Company as disclosed in Note 14.
- (b) Included in the short-term deposits placed with licensed banks, RM2,014,407 (2018: RM1,950,315) are registered in the name of a director.

12. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019 Unit	2018 Unit	2019 RM	2018 RM
Issued and fully paid up:				
At beginning/end of the financial year	1,000,000	1,000,000	1,000,000	1,000,000

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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13. RETAINED EARNINGS

The Company will be able to distribute dividends out of its retained earnings under the single tier system.

14. LOAN AND BORROWINGS

	Note	2019 RM	2018 RM
Non-current:			
Secured			
Finance lease liabilities	(a)	405,118	-
Term loan	(b)	758,512	807,769
		<u>1,163,630</u>	<u>807,769</u>
Current:			
Secured			
Finance lease liabilities	(a)	121,178	14,138
Term loan	(b)	52,163	50,124
Bankers' acceptances	(c)	15,421,000	15,031,000
		<u>15,594,341</u>	<u>15,095,262</u>
Total loan and borrowings:			
Finance lease liabilities	(a)	526,296	14,138
Term loan	(b)	810,675	857,893
Bankers' acceptances	(c)	15,421,000	15,031,000
		<u>16,757,971</u>	<u>15,903,031</u>

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14. LOAN AND BORROWINGS (continued)

(a) Finance lease liabilities

	2019 RM	2018 RM
Minimum lease payments		
Not later than one year	142,032	14,462
Later than one year and not later than 5 years	434,512	-
	576,544	14,462
Less: Future finance charges	(50,248)	(324)
Total present value of minimum lease payments	526,296	14,138
Current		
Payable within 1 year		
Minimum lease payments	142,032	14,462
Less: Future finance charges	(20,854)	(324)
Present value of minimum lease payments	121,178	14,138
Non-current		
Payable after 1 year but not later than 5 years		
Minimum lease payments	434,512	-
Less: Future finance charges	(29,394)	-
Present value of minimum lease payments	405,118	-
Total present value of minimum lease payments	526,296	14,138
Analysed as:		
Payable within 1 year	121,178	14,138
Payable after 1 year	405,118	-
	526,296	14,138

The finance lease liabilities bear interest at rates ranging from 3.96% to 6.24% (2018: 6.20%) per annum.

(b) Term loan

The term loan bears interest rate at 4.41% (2018: 4.40%) per annum and is secured and supported as follows:

- (i) legal charge over the leasehold land and building as disclosed in Note 6;
- (ii) joint and several guarantees by the directors of the Company; and
- (iii) corporate guarantee from companies in which the directors of the Company have substantial financial interests.

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14. LOAN AND BORROWINGS (continued)

(c) Bankers' acceptances

The bankers' acceptances bear interest at rates ranging from 4.46% to 6.32% (2018: 4.75% to 6.54%) per annum and are secured and supported as follows:

- (i) fixed charge over freehold lands and buildings of the Company as disclosed in Note 6;
- (ii) short term fixed deposits placed with licensed bank as disclosed in Note 11;
- (iii) joint and several guarantees by the directors of the Company; and
- (iv) corporate guarantee from companies in which the directors of the Company have substantial financial interests.

15. DEFERRED TAX LIABILITIES

	2019 RM	2018 RM
At 1 January	27,220	31,884
Recognised in profit or loss (Note 20)	49,194	(4,664)
At 31 December	<u>76,414</u>	<u>27,220</u>

Presented after appropriate offsetting as follows:

	2019 RM	2018 RM
Deferred tax liabilities	76,414	39,946
Deferred tax assets	<u>-</u>	<u>(12,726)</u>
	<u>76,414</u>	<u>27,220</u>

The component of deferred tax liabilities prior to offsetting are as follows:

	2019 RM	2018 RM
Deferred tax liabilities		
Difference between the carrying amount of plant and equipment and its tax base	<u>76,414</u>	<u>39,946</u>
Deferred tax assets		
Other deductible temporary differences	<u>-</u>	<u>(12,726)</u>

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16. TRADE PAYABLES

	2019 RM	2018 RM
Third parties	<u>1,125,703</u>	<u>1,075,706</u>

The normal trade credit term granted by the trade creditors to the Company range from 30 to 90 days (2018: 30 to 90 days).

17. OTHER PAYABLES AND ACCRUALS

	2019 RM	2018 RM
Amount owing to a related party	-	215,718
Other payables	24	270,228
Deposits	31,600	31,600
Accruals	<u>116,975</u>	<u>118,828</u>
	<u>148,599</u>	<u>636,374</u>

Amount owing to a related party is non-trade in nature, unsecured, interest-free and repayable upon demand in cash.

18. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at loss before tax:

	2019 RM	2018 RM
Auditors' remuneration	12,000	12,000
Bad debt written off	1,469	4,500
Depreciation on plant and equipment	269,995	177,563
Depreciation on investment properties	65,832	65,832
Employee benefits expense (Note 19)	2,683,147	2,770,830
Gain on disposal of property, plant and equipment	(40,799)	-
Interest expense on:		
- bank overdraft	399	3,534
- bankers' acceptances	682,876	673,203
- finance lease liabilities	15,340	1,620
- term loan	37,065	39,608
Interest income	(94,130)	(130,447)
Rental income	<u>(228,100)</u>	<u>(216,000)</u>

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19. EMPLOYEE BENEFITS EXPENSE

	2019 RM	2018 RM
Wages and salaries	2,321,186	2,358,363
Defined contribution plans	173,519	203,191
Other staff related expenses	188,442	209,276
	<u>2,683,147</u>	<u>2,770,830</u>

Included in employee benefits expense are:

	2019 RM	2018 RM
Directors' other emoluments	<u>839,607</u>	<u>642,067</u>

20. TAX EXPENSE

	2019 RM	2018 RM
Current tax:		
Based on results for the current financial year	240,419	106,266
Under provision in prior financial years	4,346	(6,360)
	244,765	99,906
Deferred tax (Note 15):		
Reversal of temporary differences	(5,503)	(995)
Under/(Over) provision in prior financial years	54,697	(3,669)
	49,194	(4,664)
	<u>293,959</u>	<u>95,242</u>

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

The reconciliation of the tax amount at statutory income tax rate to the Company's tax expense is as follows:

	2019 RM	2018 RM
Profit before tax	<u>869,685</u>	<u>386,385</u>
Tax at the Malaysian statutory income tax rate of 24%	208,724	92,732
Effect of income subject to 17% (2018: 18%) tax rate*	(35,000)	(30,000)
Tax effect of non-taxable income		
Tax effect of non-deductible expenses	61,192	42,539
Under/(Over) provision in prior financial years		
- current tax	4,346	(6,360)
- deferred tax	54,697	(3,669)
Tax expense for the financial year	<u>293,959</u>	<u>95,242</u>

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20. TAX EXPENSE (continued)

* The income tax rate applicable to small and medium scale enterprises ("SME") incorporated in Malaysia with paid-up capital of RM2.5 million and below is subject to the statutory tax rate of 17% (2018: 18%) on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, the statutory tax rate of 24% is still applicable.

21. DIVIDENDS

	2019 RM	2018 RM
Single-tier interim dividend of 10 sen per ordinary share in respect of the financial year ended 31 December 2018, paid on 27 March 2019	-	100,000

22. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

(i) Financial assets and financial liabilities measured at amortised cost

	2019 RM	2018 RM
Financial assets		
Trade receivables	7,719,702	8,212,226
Other receivables and deposits excluding prepayments	1,698,408	267,681
Cash and cash equivalents	6,548,299	4,911,584
	<u>15,966,409</u>	<u>13,391,491</u>
Financial liabilities		
Loan and borrowings	16,757,971	15,903,031
Trade payables	1,125,703	1,075,706
Other payables, deposits and accruals	148,599	636,374
	<u>18,032,273</u>	<u>17,615,111</u>

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23. CONTINGENCIES

	2019 RM	2018 RM
Corporate guarantee for banking facilities granted to companies in which the directors of the Company have substantial financial interests	2,040,000	2,040,000
Banker's guarantees in favour of third parties	500,000	500,000
	<u>2,540,000</u>	<u>2,540,000</u>

24. RELATED PARTY TRANSACTIONS

(a) Identity of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Company include:

- (i) Entities in which directors have substantial financial interests; and
- (ii) Key management personnel of the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	2019 RM	2018 RM
Transaction with companies in which the directors of the Company have substantial financial interest and are also directors is as follows:		
- Sales to a related party	-	(124)
- Purchase from a related party	842	2,116
- Rental expenses paid to a related party	60,000	-
	<u>60,000</u>	<u>-</u>

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the Company.

The directors are the key management personnel of the Company. Information of directors' remuneration is disclosed in Note 19 to the financial statements.

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25. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

For the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MPERS Section 32 Events after the End of the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Company is unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Company's sales, operations and supply chains. The Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Company's operations.

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THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, **DATUK LOH SAW FOONG** and **DATIN LIN CHING YEIN**, being the directors of Thye On Tong Trading Sdn. Bhd., do hereby state that in our opinion, the accompanying financial statements as set out on pages 6 to 32 are drawn up in accordance with the Malaysian Private Entities Reporting Standard and the requirements of the Company Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Signed by the Board of Directors in accordance with a resolution of the directors:



.....
DATUK LOH SAW FOONG
Director



.....
DATIN LIN CHING YEIN
Director

Kuala Lumpur

Date: 12 August 2020

Registration No. 197901009455 (53740-X)

THYE ON TONG TRADING SDN. BHD.
(Incorporated in Malaysia)

STATUTORY DECLARATION

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

I, **DATUK LOH SAW FOONG**, being the director primarily responsible for the financial management of Thye On Tong Trading Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 6 to 32 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.



DATUK LOH SAW FOONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 12 August 2020.

Before me,



Registration No. 197901009455 (53740-X)



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THYE ON TONG TRADING SDN. BHD.**
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thye On Tong Trading Sdn. Bhd., which comprise the statement of financial position as at 31 December 2019 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with the Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THYE ON TONG TRADING SDN. BHD. (continued)**
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Malaysian Private Entities Reporting Standard 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Company's financial reporting process.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THYE ON TONG TRADING SDN. BHD. (continued)**
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements of the 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 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 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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THYE ON TONG TRADING SDN. BHD. (continued)**
(Incorporated in Malaysia)

Other Matters

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 contents of this report.

A stylized, handwritten signature of Baker Tilly.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Kuala Lumpur

Date: 12 August 2020

A handwritten signature of Kenny Yeoh Khi Khen.

Kenny Yeoh Khi Khen
No. 03229/09/2020 J
Chartered Accountant

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to the Vendors and TOT were obtained from the information provided by TOT. Therefore, the responsibility of the Directors of the Company is restricted to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND CONFLICT OF INTEREST

AIBB, being the Principal Adviser to the Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto in the form and context in which it appears in this Circular.

AIBB is also not aware of any conflict of interest which exists or is likely to exist in relation to AIBB's capacity to act as the Principal Adviser to the Company for the Proposals.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save for the following, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant or otherwise, and our Board is not aware of any proceedings pending or threatened against PHB, or its subsidiaries or of any facts likely to give rise to any proceedings which may materially or adversely affect the position or business of PHB and/or any of its subsidiaries:

- (i) On 26 August 2019, a former director of the Company, Lau Kin Wai ("**Claimant**") brought a legal suit (Civil Suit No, NA-B52NCvC-20-08/2019) against the Company whereby he is claiming against the Company for RM405,202 ("**Alleged Outstanding Salary**") being the outstanding salary allegedly due and owing by the Company for his employment as a director of the Company for 14 months from 9 January 2018 to 7 March 2019 with an interest rate of 5% per annum on the Alleged Outstanding Salary to be accrued from the date of judgment until full settlement. The trial has been fixed on 9 and 16 October 2020. The lawyers representing the Company are of the opinion that the Claimant has a slim chance in succeeding in this suit as the claims are baseless and frivolous without any contractual grounds against the Company.

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group, which may have a material effect on the financial results or financial position of the Group.

5. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by PHB Group, which upon becoming enforceable, may have a material impact on the financial position of PHB Group.

6. MATERIAL CONTRACTS

Save for the SSA, the PHB Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be made available for inspection at the registered office of the Company at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) during normal business hours from Monday to Friday (except public holidays) for the period commencing from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) Constitution of PHB and TOT;
- (ii) A copy of the SSA;
- (iii) The audited financial statements of TOT for the past 2 FYE 2018 and FYE 2019;
- (iv) The audited consolidated financial statements of PHB for the past 2 FYE 2018 and FYE 2019 as well as its latest unaudited consolidated quarterly results for the 6-month FPE 2020;
- (v) The letters of consent referred to in Section 2 of this Appendix; and
- (vi) The relevant cause papers in respect of the material litigation referred to in Section 3 of this Appendix.



PETERLABS HOLDINGS BERHAD
(Registration No. 201001025806 (909720-W))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of PeterLabs Holdings Berhad (“**PHB**” or the “**Company**”) will be held at Halia Hall, d’Tempat Country Club, PT 12653, Jalan Pusat Dagangan Sendayan 1, 71950 Bandar Sri Sendayan, Negeri Sembilan on Monday, 28 September 2020 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications:-

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION OF 60% EQUITY INTEREST IN THYE ON TONG TRADING SDN BHD (“TOT”), COMPRISING 600,000 ORDINARY SHARES IN TOT, FROM DATUK LOH SAW FOONG AND DATIN LIN CHING YEIN (“VENDORS”), FOR A PURCHASE CONSIDERATION OF RM10,800,000 TO BE SATISFIED VIA COMBINATION OF CASH CONSIDERATION OF RM3,000,000 (“CASH CONSIDERATION”) AND ISSUANCE OF 39,000,000 NEW ORDINARY SHARES IN PHB (“PHB SHARE(S)”) AT AN ISSUE PRICE OF RM0.20 PER PHB SHARE (“CONSIDERATION SHARE(S)”) (“PROPOSED ACQUISITION”)

“THAT, subject to the passing of Ordinary Resolution 2 and the fulfilment of conditions precedent and the approvals of relevant authorities being obtained, where required, approval is hereby given for the Company to acquire 60% equity interest in TOT, comprising 600,000 ordinary shares in TOT, from the Vendors, for a purchase consideration of RM10,800,000 to be satisfied via combination of Cash Consideration and issuance of Consideration Shares, subject to the conditions and upon the terms set out in the conditional share sale agreement dated 22 July 2020 entered into between the Company and the Vendors in respect of the Proposed Acquisition (“**SSA**”);

THAT approval is hereby given for the Company to provisionally allot and issue the Consideration Shares in accordance to the terms and conditions of the SSA;

THAT the Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing PHB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other distributions, that may be declared, made or paid prior to the date of issuance and allotment of the Consideration Shares;

AND THAT approval be and is hereby given to the Board of Directors of the Company to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Acquisition and the allotment and issuance of new PHB Shares pursuant to the Proposed Acquisition, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Acquisition.”

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS OF PHB AND ITS SUBSIDIARIES (“PHB GROUP”) TO INCLUDE DISTRIBUTION OF CONSUMER GOODS (“PROPOSED DIVERSIFICATION”)

“**THAT** subject to the passing of Ordinary Resolution 1 and the approvals of relevant authorities being obtained, where required, approval is hereby given to the PHB Group to diversify its existing business to include the distribution of consumer goods;

AND THAT approval be and is hereby given to the Board of Directors of the Company to sign, execute and deliver on behalf of the Company all necessary documents and to do all acts and things as may be required for or in connection with and to give full effect to and complete the Proposed Diversification, with full power and discretion to assent to or make any modifications, variations and/or amendments in any manner as may be imposed, required or permitted by the relevant authorities or deemed necessary by the Board, and to take all steps and actions as it may deem necessary or expedient in the best interests of the Company to finalise, implement and give full effect to the Proposed Diversification.”

By Order of the Board
PETERLABS HOLDINGS BERHAD

WONG YUET CHYN
(MAICSA 7047163) (SSM PC 202008002451)
Company Secretary

Kuala Lumpur
5 September 2020

Notes:

1. *A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.*
2. *A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.*
3. *A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.*
4. *Where a member is an Authorised nominee as defined under The Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”) there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Company situated at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or email to proxy@shareworks.com.my not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*
6. *An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 September 2020, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*
8. *Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

**PETERLABS HOLDINGS BERHAD**

(Registration No. 201001025806 (909720-W))

(Incorporated in Malaysia)

CDS ACCOUNT NO.				-															
NO. OF SHARES HELD																			

FORM OF PROXY

I/We

(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration

No.....)

of

(FULL ADDRESS)

being a member/members of **PETERLABS HOLDINGS BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		
Email Address		

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		
Email Address		

As my/our proxy(ies) to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Halia Hall, d'Tempat Country Club, PT 12653, Jalan Pusat Dagangan Sendayan 1, 71950 Bandar Sri Sendayan, Negeri Sembilan on Monday, 28 September 2020 at 11.00 a.m. or at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below.

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	Proposed Acquisition		
2.	Proposed Diversification		

(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

Dated this day of 2020.

.....
Signature(s) of member(s)

Notes:-

1. *A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.*
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Stamp

The Company Secretary
PeterLabs Holdings Berhad
Registration No. 201001025806 (909720-W)
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

Fold this flap for sealing