

# PETERLABS HOLDINGS BERHAD

ANNUAL REPORT 2020



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



**PETERLABS  
HOLDINGS  
BERHAD**

201001025806  
(909720-W)



# VISION

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



# MISSION

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



# VALUES

***“PETERLABS ALWAYS SHARE...”***

## **Sustainability**

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

## **Honesty**

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

## **Accountability**

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

## **Responsibility**

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

## **Efficiency**

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

# Contents

02	Corporate Profile
03	Corporate Structure
04	Corporate Information
05	Milestones & Achievements
07	Director's Profile
12	Sustainability Statement
16	Financial Highlights
17	Management Discussion & Analysis
24	Corporate Governance Overview Statement
31	Audit Committee Report
36	Statement On Risk Management And Internal Control
39	Statement Of Directors' Responsibility
40	Additional Compliance Information
41	Financial Statements
114	Analysis Of Shareholdings
116	List Of Properties



# CORPORATE PROFILE

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

Our Group is one of the leading specialists in manufacturing, distribution, export and trading of animal health and nutrition products. Our Group products include biosecurity and disinfectant, compound feed supplement, feed additives, nutritional premix, pharmaceutical and water soluble supplement.

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

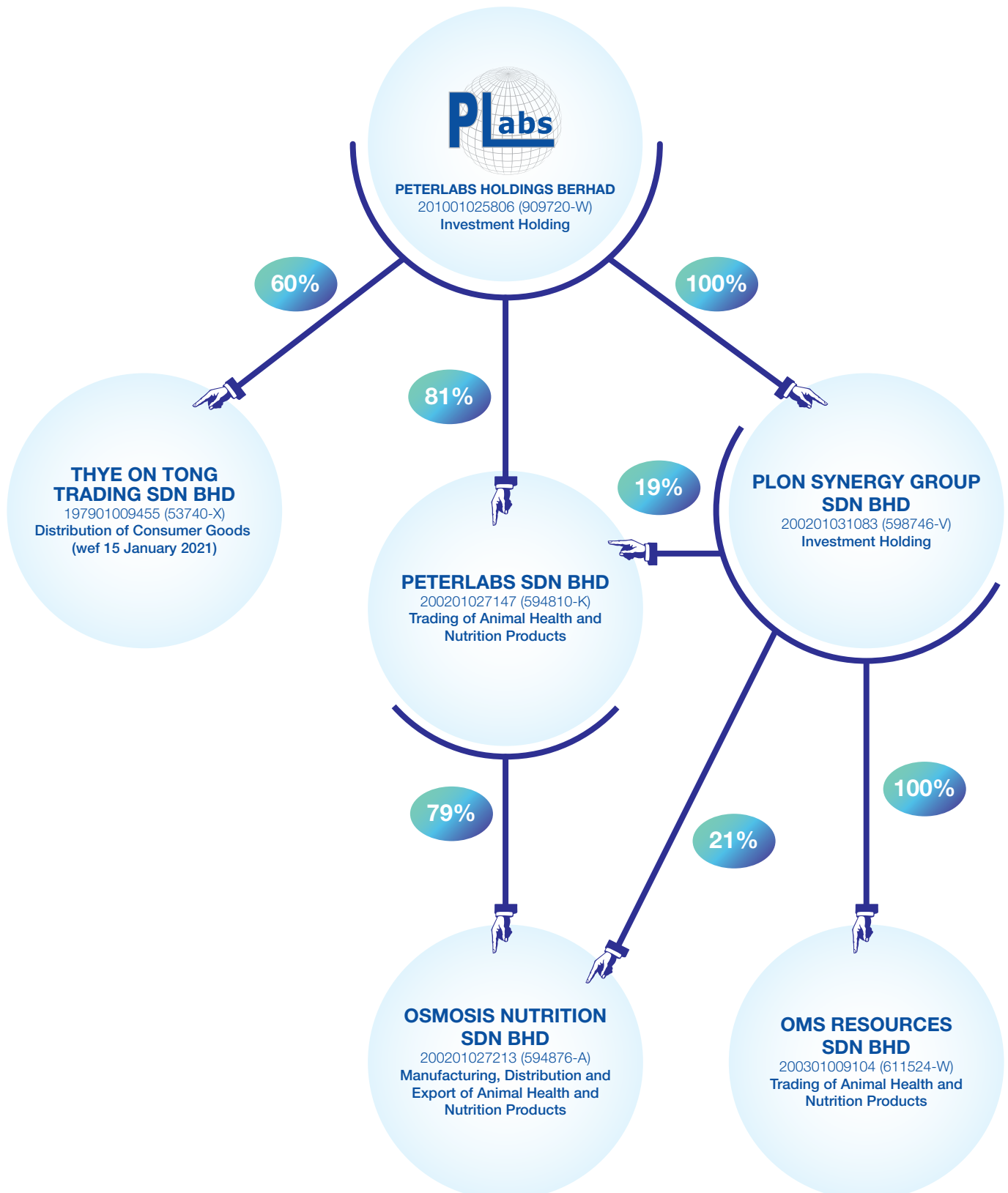
In line with the expansion of our Group's manufacturing capacity, the Group has ventured into mass production and toll manufacturing. In year 2015, the Group had expanded and set up another Fat Granular Spray Plant in Klang with an approximate build up area of 28,320 sq. ft. The manufacturing plant is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

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

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

On 1 January 2021, our Group has acquired 60% equity interest in Thye On Tong Trading Sdn Bhd ("TOT"). TOT was incorporated on 31 December 1979 in Malaysia as a private limited company under the Act and began its operations in the same year. It started out as a retailer in traditional Chinese Medical hall. TOT has grown the business from a small retailer to one of the leading distributors of fast-moving consumer goods ("FMCG") in Malaysia. TOT has established some strong, famous and fast consumer brands such as Colgate Palmolive, Vinda, Abott, Fonterra and GoodMorning Global.

# CORPORATE STRUCTURE





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Hon Choon Kim**

*Independent Non-Executive Chairman*

**Lim Tong Seng**

*Group Managing Director*

**Teo Chin Heng**

*Executive Director*

**Yap Siaw Peng**

*Executive Director*

**Datuk Loh Saw Foong**

*Executive Director (Appointed on 5 January 2021)*

**Lau Yeng Khuan**

*Executive Director (Retired on 28 September 2020)*

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

*Senior Independent Non-Executive Director*

**Dr. Vijaya Raghavan a/l M P Nair**

*Independent Non-Executive Director*

**Dato' Ng Boon Siong**

*Independent Non-Executive Director  
(Appointed on 15 December 2020)*

**Ng Kau**

*Independent Non-Executive Director  
Alternate Director to Dato' Ng Boon Siong  
(Appointed on 15 December 2020)*

**Azman bin Abdul Jalil**

*Independent Non-Executive Director  
(Retired on 28 September 2020)*

### AUDIT COMMITTEE

Prof. Dr. Paul Cheng Chai Liou (Chairman)  
Dato' Hon Choon Kim  
Dato' Ng Boon Siong

### NOMINATION COMMITTEE

Dato' Ng Boon Siong (Chairman)  
Dr. Vijaya Raghavan a/l M P Nair  
Dato' Hon Choon Kim

### REMUNERATION COMMITTEE

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

### COMPANY SECRETARY

Wong Yuet Chyn (MAICSA 7047163)

### REGISTERED OFFICE

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

### HEAD/MANAGEMENT OFFICE

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

### STOCK EXCHANGE LISTING

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

### CORPORATE WEBSITE

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

### SHARE REGISTRAR

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

### AUDITORS

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

### PRINCIPAL

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

# MILESTONES AND ACHIEVEMENTS

Our key achievements and milestones since inception are as follows:

## 2005

Special Recognition Award from CAB Cakaran Corporation Bhd ("CAB Cakaran"), a company listed on the Main Market of Bursa Securities

- In recognition of PeterLabs' continuous technical support and supply of quality animal health and nutrition products to CAB Cakaran. CAB Cakaran is a leading integrated poultry producer with operations throughout Malaysia. PeterLabs has established a good business relationship with CAB Cakaran since 2002. We had conducted farmer forum and technical services for CAB Cakaran's contracted farmers in the past.

## 2007

PeterLabs collaborated with Novus International Inc, USA and introduced a series of eco-friendly animal feed additives, such as Activate DA and Mintrex. These 'green products' have been incorporated in our animal feed additive premix to enhance the Group's product performance namely feed intake, growth rate and feed conversion ratio ("FCR").

## 2004 - 2009

Recognition Award from Zeus Biotech Limited, India (continuously from 2004 to 2009)

- In recognition of PeterLabs' successful marketing of probiotics and enzymes feed additives in the Malaysian market and achieving good sales performance.

## 2009

PeterLabs collaborated with Hangzhou KingTechina Feed Co Ltd, China to launch and market a series of Microencapsulate feed additives. The process of microencapsulation will increase the product stability, palatability and bioavailability. The microencapsulated product has been incorporated into our animal feed additives to increase the therapeutic index. It has been proven to have a positive and synergistic effect with PeterLabs product.

Recognition Award from Novus International (M) Sdn Bhd ("Novus Malaysia")

- In recognition of PeterLabs successfully introducing and creating a market in Malaysia for non-antibiotic animal feed additives under the brand name of Novus such as Activate DA and Mintrex.

Recognition Award from In Vivo NSA S.A, France

- In recognition of PeterLabs' successful marketing of animal feed additive products under the brand name of Neovia in the local market.

## 2010

PeterLabs collaborated with Novus Malaysia to conduct the 1st PigLIVE workshop: "Sustainable Sow Management Programme" at Genting Highlands in August 2010. The workshop was attended by approximately 140 participants from East and West Malaysia, mainly pig farm owners and technical support staff.

## 2011

Awards and achievements in year 2011

- On 27 January 2011, the Company had received a letter from National Pharmaceutical Control Bureau ("NPCB") of the Ministry of Health, Malaysia, which stated our plant is Good Manufacturing Practice ("GMP") compliant.
- Malaysian Livestock Industry Awards 2011 – Outstanding Animal Health Provider.
- Best @ Show Awards – Most Popular Booth at
- Livestock Asia Expo & Forum 2011 Kuala Lumpur.
- Named to the International Business Times List of 2011 Top 1000 World's Fastest Growing Companies.
- SME 100 Malaysia's Fast Moving Companies 2011.

## 2013

Recognition Award for outstanding contribution made to the Livestock industry

- Outstanding Product Innovation: Animal Health Product.

## 2017

Asia Halal Brand Awards 2017 – Regional Brands

- Best Animal Nutrition Feed Product – Osmosis Nutrition Sdn Bhd

# MILESTONES AND ACHIEVEMENTS (CONT'D)

## 2018

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

Klang factory (Osmosis Nutrition Sdn Bhd) obtained certification from Lloyd's Register in:

- GMP+ B2 : Production of Feed Ingredients
- ISO 22000 : 2005
- HACCP

## 2020

Recognition Award from Natural Remedies Private Limited, India

- Business Excellence Awards 2020 for PeterLabs Sdn Bhd

## 2019

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



# DIRECTOR'S PROFILE

## **DATO' HON CHOON KIM**

Malaysian, Aged 72, Male

*Independent Non-Executive Chairman*

Dato' Hon was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He was redesignated as Independent Non-Executive Chairman on 1 January 2012. He is a member of our Audit Committee, Nomination Committee and Remuneration Committee. He graduated with a Bachelor of Social Sciences (Econ) in 1976 from University Sciences Malaysia (USM). In 1977, he started his career in the government's statistical department. In 1986, he was elected as state assemblyman and was appointed as a state executive councilor of Negeri Sembilan. He was then elected to be a member of the Parliament in 1995 and was appointed as the Deputy Minister of Education in 1999, a position that he holds till 2008. He is also the Vice President of CMH Specialist Hospital (formerly known as NSCMH Medical Centre), a non-profit making organisation in Seremban. He was also appointed as Independent Director in Matrix Concepts Holdings Berhad on 19 June 2015.

He does not hold any directorship in other public companies and listed issuers.

He has attended all four (4) Board meetings held during the financial year 2020.

## **LIM TONG SENG**

Malaysian, Aged 61, Male

*Group Managing Director*

Mr. Lim was appointed to the Board on 28 July 2010 as a Director and subsequently redesignated as the Group Managing Director of our Group on 1 September 2010. He completed his secondary school education in 1977 and has since accumulated over 40 years of experience in the livestock industry, mainly in the animal health and nutrition sector. He is also a committee member of the Malaysian Animal Health and Nutrition Industries Association.

Mr. Lim's career in the livestock industry began when he joined the feedmill division of Industrial Farm Pte Ltd, a Singapore commercial pig farm in 1978 as a Feedmill Executive. In 1984, he assumed the position of Production Executive at Agrinuser (M) Sdn Bhd, a feed additive premix manufacturing company. In 1989, he founded Benuser and spearheaded the company's operations in manufacturing various feed additives and premixes for the livestock industry. In 2002, Mr. Lim left Benuser and co-founded PeterLabs, Osmosis Nutrition and PLON Synergy and in the same year he was appointed as the Executive Director of PeterLabs.

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

He does not hold any directorship in other public companies and listed issuers.

He has attended all four (4) Board meetings held during the financial year 2020.

# DIRECTOR'S PROFILE (CONT'D)

## TEO CHIN HENG

Malaysian, Aged 68, Male  
*Executive Director*

Mr. Teo was appointed to the Board on 1 September 2010 as an Executive Director and is currently heading the Supply Chain Department. He graduated from National Chengchi University in Taiwan with a Bachelor of Economics in 1978 and has since accumulated over 40 years of experience in the animal health and nutrition industry.

Mr. Teo began his career in his family's porcelain manufacturing business in 1979 and subsequently joined Wellchem (M) Sdn Bhd in 1981 as a Sales Executive in the veterinary division. In 1986, he co-founded Chern Tek, a company involved in trading of animal health and nutrition products. In 2002, Mr. Teo left Chern Tek and co-founded PeterLabs, Osmosis Nutrition and PLON Synergy.

He does not hold any directorship in other public companies and listed issuers.

He has attended all four (4) Board meetings held during the financial year 2020.

## YAP SIAW PENG

Malaysian, Aged 47, Female  
*Executive Director*

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

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

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

She was appointed as a Director of our subsidiary - Thye On Tong Trading Sdn Bhd ("TOT") on 1 January 2021. She will be involved in the overall strategic direction, overseeing the financial matters, day-to day operations and planning for the business of distribution of consumer goods of the Group. She was also appointed as Director to other subsidiary companies namely – PeterLabs Sdn Bhd, Osmosis Nutrition Sdn Bhd and PLON Synergy Group Sdn Bhd on 1 April 2021.

She does not hold any directorship in other public companies and listed issuers.

She has attended all four (4) Board meetings held during the financial year 2020.

## DIRECTOR'S PROFILE (CONT'D)

### **Datuk Loh Saw Foong**

Malaysian, Aged 54, Male

*Executive Director*

Datuk Loh was appointed as an Executive Director on 5 January 2021. He finished his High School from St. Paul's Institution.

He is the General Manager of our subsidiary - Thye On Tong Trading Sdn Bhd ("TOT"), mainly responsible for the overall management and strategic directions of TOT. 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. He has consistently expanded the business of TOT to the distribution of consumer goods in 1994.

He does not hold any directorship in other public companies and listed issuers.

His attendance for the Board meeting during the financial year 2020 is not applicable as he was appointed to the Board on 5 January 2021.

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

Malaysian, Aged 73, Male

*Senior Independent Non-Executive Director*

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

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

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

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

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

He does not hold any directorship in other public companies and listed issuers.

He has attended all four (4) Board meetings held during the financial year 2020.

## DIRECTOR'S PROFILE (CONT'D)

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

Malaysian, Aged 81, Male

*Independent Non-Executive Director*

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

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

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

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

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

He does not hold any directorship in other public companies and listed issuers.

He has attended all four (4) Board meetings held during the financial year 2020.

# DIRECTOR'S PROFILE (CONT'D)

## **Dato' Ng Boon Siong**

Malaysian, Aged 36, Male

*Independent Non-Executive Director*

Dato' Ng was appointed to the Board on 15 December 2020 as our Independent Non-Executive Director and as Chairman of Nomination Committee and member of Audit Committee. Dato' Ng is Rector's List student; he managed to rise to the top 1 overall ranking out of 513 students in the university's law faculty. He was also bestowed by the university with the award of Best Student in Company Law and Best Oralist in the university's law mooting competition. Such excellent academic records and advocacy skills have propelled him into a fulfilling career path as a former Federal Counsel in the Attorney-General's Chambers Malaysia and a former Prosecuting Officer in the Securities Commission Malaysia.

Dato' Ng was called to the Malaysian Bar in 2010 and had been practising as an advocate and solicitor of the High Court of Malaya. He is currently the Managing Partner of Messers Jason Ng & Partners which is a medium size boutique law firm in Kuala Lumpur city centre. He specialises in corporate advisory work, construction litigation and strategic mediator for dispute resolution.

He has previously served as an Independent Non-Executive Director on the board of Stone Master Corporation Berhad from the year of 2017 to 2019.

He is the co-author of the book entitled "Know Your Rights: Surviving the Legal Maze in Malaysia" which was published on 28 April 2012 and he has also written thesis on corporate governance in minority shareholder protection. Having vast experience in legal fraternity, he has also contributed numerous articles on various legal issues in the publication of INSPIRE, a business journal published by the Women's Institute of Management Malaysia.

Dato' Ng is the son of Mr Ng Kau, an Alternate Director of the Company.

There is no Board Meeting held since his appointment on 15 December 2020.

## **Ng Kau**

Malaysian, Aged 63, Male

*Alternate Director to Dato' Ng Boon Siong*

Mr. Ng was appointed to the Board on 15 December 2020 as an Alternate Director to Dato' Ng Boon Siong. Mr. Ng was called to the Malaysian Bar in 1994 and is currently practising as an advocate and solicitor of the High Court of Malaya. He is the Senior Partner of Messers Jason Ng & Partners which is a medium size boutique law firm situated in the city centre of Kuala Lumpur. He specialises in construction litigation, criminal defence, employment laws and general dispute resolution.

He has previously served as a Legal Adviser to various listed companies, housing developers, construction companies, construction of oil and gas platforms, ship building and repairs, interior fit out works and manufacturing plants.

He is the co-author of the book entitled "Know Your Rights: Surviving the Legal Maze in Malaysia" which was published on 28 April 2012. Having vast experience in legal fraternity, he has also conducted various seminars and trainings on construction issues, employment laws and Anti-bribery and corruption laws. He has conducted various trials in the civil courts and criminal courts involving, amongst others, charges on share manipulation and giving false quarterly results to the Bursa Malaysia and the Securities Commission of Malaysia.

He is the father of Dato' Ng Boon Siong, an Independent Non-Executive Director of the Company.

There is no Board Meeting held since his appointment on 15 December 2020.

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company, have not been convicted of any offences within the past five (5) years other than traffic offences and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2020.

# SUSTAINABILITY STATEMENT

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

However, the PLABS Group must not forget that its commitment to sustainability is an ongoing journey with no finishing line. The PLABS Group will therefore continue to align its business values, purposes and strategy with sustainability governance explicitly on the Economic, Environmental and Social (“EES”) areas to create continuous and long-term values for the stakeholders.

This Statement covers the PLABS Group which PLABS has direct management control for the financial year ended 31 December 2020 (“FY 2020”).

## Sustainability Approach

In this competitive, challenging and evolving business environment, robust sustainable growth is vital by managing risks and opportunities to ensure the PLABS Group’s long-term viability and success. Therefore, the primary objective of the PLABS Group is to operate its businesses in a cost-effective, socially, and environmentally responsible manner for all stakeholders. The diverse stakeholder groups are the Board of Directors (“Board”), shareholders, customers, employees, suppliers, contractors, regulatory and authorities, and local communities.

The recent global COVID-19 outbreak since the end of year 2019 and its escalation in the first quarter in year 2020 highlights additional concerns impacting the PLABS Group’s businesses, health and safety of employees and local community. During the implementation of the Movement Control Order (“MCO”) by the Government of Malaysia, the PLABS Group’s operations remained functional as the PLABS Group is in the business which classified as one of the essential services. All internal and external meetings and correspondences are carried out remotely either by web conferencing, emails and/or mobile messaging.

## ECONOMIC

The PLABS Group maintains a high integrity of the corporate governance practices as well as in enhancing its shareholders’ values. The PLABS Group also committed to being honest and fair, and doing what is right for its associates and customers. Hence, the PLABS Group conducts its business with adherence to the laws and the employees of the PLABS Group always hold themselves to the highest standards of honesty, both internally and externally, whenever dealing with the colleagues, customers or vendors.

The services provided by the PLABS Group are “customer-driven” and aim at providing convenience and various choices to the customers. The PLABS Group also provided exceptionally goods services to the customers by maintaining a personal relationship and dealing directly with customers.

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

In order to sustain its business, the following have been implemented:

## Anti-Bribery and Anti-Corruption Policy & Guidelines

With the enforcement of the Section 17A of the Malaysian Anti-Corruption Commission (“MACC”) Act 2009 (Amendment 2018) on 1 June 2020, the PLABS Group has implemented an Anti-Bribery and Anti-Corruption Policy & Guidelines (“ABAC Policy & Guidelines”), which serves as a guideline to reinforce the PLABS Group utmost commitment and practice in conducting its affairs in a highest standard of integrity and ethics in line with the intent and spirit of the MACC Act 2009 [Act 694] and MACC (Amendment) Act 2018 and all applicable laws and regulations involving bribery and corruption.

With the implementation of the ABAC Policy & Guidelines, the PLABS Group anticipates to detect exposure of bribery or corruption, to provide clear directions to all the employees when faces or dealing with issues of bribery or corruption that may arise during the course of business, and to combat any potential risks of bribery or corrupt practices. To achieve the objective successfully, the PLABS Group imposes strict compliance and monitoring of the ABAC Policy & Guidelines where all the employees are required to read, fully understand and apply the contents of the ABAC Policy & Guidelines when performing day-to-day tasks and responsibilities.



# SUSTAINABILITY STATEMENT (CONT'D)

## Whistleblowing Policy

The objective of the Whistleblowing Policy is to protect the values of transparency, integrity, impartiality and accountability where the PLABS Group conducts its business and affairs. Through an effective implementation of the Whistleblowing Policy, the PLABS Group aims to enhance its accountability in preserving its integrity and to withstand public scrutiny. This in turn enhances and builds the PLABS Group's credibility to all the stakeholders. The Whistleblowing Policy serves as an early warning system for the PLABS Group to remedy any wrongdoings before causing any serious damage to the PLABS Group.

During the FY 2020, there was no instance or complaint on any suspected corrupt or unethical behaviour reported or occurred within the PLABS Group.

It is in the best interest of the PLABS Group to comply with the national laws and regulations in the countries where the PLABS Group operates. The PLABS Group ensures that its employees are aware and fully comprehend of the standards in all sustainability aspects. Measures and controls such as SOPs, audits and inspections by the local authorities are in place, among others, to strengthen the compliance with regulations, thereby reducing the financial risk and impact.

## Acquisition of Thye On Tong Trading Sdn Bhd

The acquisition ("Acquisition") of Thye On Tong Trading Sdn Bhd ("TOT") was completed in early January 2021 and it is in line with the PLABS Group's business expansion objectives and growth strategy. The Acquisition will provide an opportunity for the PLABS Group to venture into the distribution of the consumer goods, which a complementary and synergistic to its existing business.

The Acquisition enables the PLABS Group to extend its products range and provide an additional income stream to the PLABS 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, Fonterra Brands Malaysia Sdn Bhd and GoodMorning Global Sdn Bhd. Potential synergies can be tapped by leveraging on each other's existing customer base, distribution networks and logistic facilities. This will strengthen the business of the PLABS Group and put the PLABS Group in a better position to compete with the competitors in the market.

From now on, the assets of and the profits generated by TOT will be consolidated into the accounts of the PLABS Group. Given the established business and positive historical financial performance of TOT, the Board expects that TOT will contribute positively to the future earnings of the PLABS Group.

## Diversification

The Board, having considered various growth options to enhance shareholders' values, had identified distribution of consumer goods as a complementary business to be included in the existing business of the PLABS Group. The diversification will diversify the earnings base of the PLABS Group and reduce the business risk of dependency on its sole existing sector.

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

## ENVIRONMENT

### Waste and Emission Management

The PLABS Group continues to enforce the efforts to comply with environment laws as well as manage the wastage.

The PLABS Group ensures strict compliance with the environmental laws governing the operations and maintenance of the plants of the PLABS Group in areas relating to the environmental standards, emission standards, noise level management and treatment of the plants' effluents and wastewater.

As part of the Sustainability agenda, the PLABS Group has measure in place to minimise the adverse impact of pollution on the environment and to achieve continuous improvement of the plants' environmental performance. The PLABS Group will also send other controlled waste substances (such as waste water plant sludge, contaminated drums, electrical waste, used filters and contaminated rags) to the waste disposal units or specialist contractors licensed by the authorities.

A proper waste handling system was implemented to create a cleaner and better organised environment and appearance. This would help in reducing the costs and workplace hazards and also improving the health and safety at the workplace. Used materials such as papers, carton boxes, plastic drums are reused, where possible, or send to the recycling centre.

During the FY 2020, the PLABS Group does not have been penalised for any matter related to environmental compliance by any regulatory authorities.

# SUSTAINABILITY STATEMENT (CONT'D)

## Water Consumption

Water is used primary for drinking, production and sanitation at the buildings and plants of the PLABS Group. The water is supplied solely from the local municipal and the wastewater from the production will be treated by the water treatment at the plants of the PLABS Group before discharging into the public sewage system.

The PLABS Group is committed to understand and reduce the operational water usage, advocate an effective step to report leakages and at the same time conduct regular maintenance checks carried out to ensure no leaking occurred in anywhere within the plants of the PLABS Group.

## Energy Consumption

The PLABS Group is continuously looking ways to ensure the energy supply is sufficient to the business operation. By minimising energy consumption, the PLABS Group can reduce the operational cost and also to reduce the amount of the carbon footprint released.

To minimise the energy usage, energy-saving lightbulbs are used whenever possible throughout the buildings and plants of the PLABS Group.

## SOCIAL

The employees of the PLABS Group have been and will always be the PLABS Group's core assets and a key pillar for the success and continued growth of the PLABS Group. Thus, the health, safety and well-being of the employees of the PLABS Group are the most important element in the aspect of the operations. The PLABS Group is committed to safeguarding the well-being of its staff and the community around. The PLABS Group is also committed to operating in an economically, socially and environmentally responsible manner whilst balancing the interest of the stakeholders.

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

In ensuring that the health and safety of the employees are taken care of at the workplace, the PLABS Group setup an Emergency Response Team ("ERT") with the objectives of monitoring, reviewing and improving the health and safety rules, operations and performances. It also to raise and promote health and safety awareness to all the employees of the PLABS Group. Regardless of where the employees are located or the type of works that they undertake, the PLABS Group strives to create a working environment which is free from occupational illness or injury. The

PLABS Group is doing its best to improve the awareness on safety practices and to enhance preventive skills among all the employees in order to minimise the risk of accidents at the workplace.

During the COVID-19 pandemic, the PLABS Group provides free face masks to all the employees. Free meals were also been provided to the employees during the MCO so that they no need to travel out to get their own lunch. Meanwhile, the PLABS Group has instructed the ERT, with the team members comprise of the representatives from a cross-section of departments, namely Environment, Safety and Health, Finance, Administration, Secretary, Quality, Production and Warehouse, to ensure that the PLABS Group would be able to identify and assess any COVID-19 related risks in a holistic manner throughout the entire organisation, and across all aspects of the business and operations of the PLABS Group. The ERT is also responsible for the COVID-19 response and management approach within the PLABS Group, which included the following aspects:

- a) Monitor and update the development of Covid-19 cases in areas of our operation
- b) Review the adequacy of existing SOP in light of the impacts of the Covid-19 pandemic, including manpower planning and work arrangements
- c) Implemented Pandemic Response Procedures which included:
  - Covid-19 Prevention at the Workplace
  - Covid-19 Social Distancing Advisory
  - Covid-19 Contact Tracing Procedure

The ERT also provided the updates on the COVID-19 to the employees of the PLABS Group to increase the awareness and to remind the employees on the SOPs and preventive measures.

As the PLABS Group being a great company, which has shown its responsible, accountability and sustainability, the PLABS Group believes in human element which support the diverse workforce and create the opportunities. As the animal livestock industry need more personnel equipped with animal husbandry and veterinary medicine knowledge, the PLABS Group has sponsored an academic award by the name of 'Hadiah PeterLabs Holdings Berhad for Produksi Dan Kesihatan Haiwan Ternakan' for students who excel in their education.

As part of the human capital development, the employees of the PLABS Group are given the opportunities to attend trainings and personal development programs conducted by professional bodies such as Malaysian Institute of Accountants ("MIA"). The PLABS Group believes that a skilful workforce is crucial in sustaining the growth and success of the PLABS Group.

# SUSTAINABILITY STATEMENT (CONT'D)

The PLABS Group frequently reviews the processes and policies to ensure the compliance with laws and regulations for all the operations.

## **Sustaining the Community**

The PLABS Group always believe that a strong business environment is underpinned by a positive, cohesive and inclusive community environment.

The PLABS Group has made a humble contribution to various religion associations, schools and temples with the hope to enhance the lives of the local community.

In FY 2020, the PLABS Group does not receive any fines in relation to the breach of social related laws and regulations.

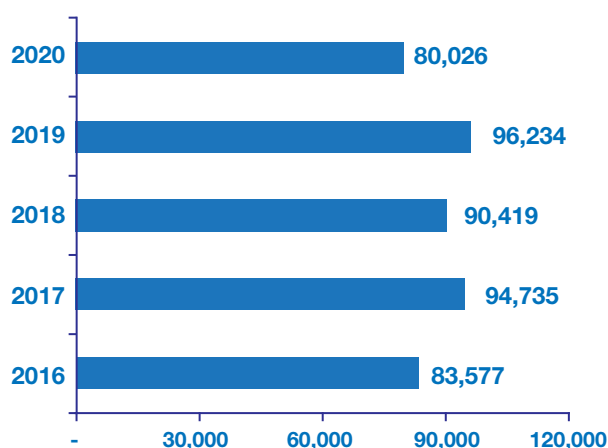
This Sustainability Statement has been approved by the Board dated 22 April 2021.

# FINANCIAL HIGHLIGHTS

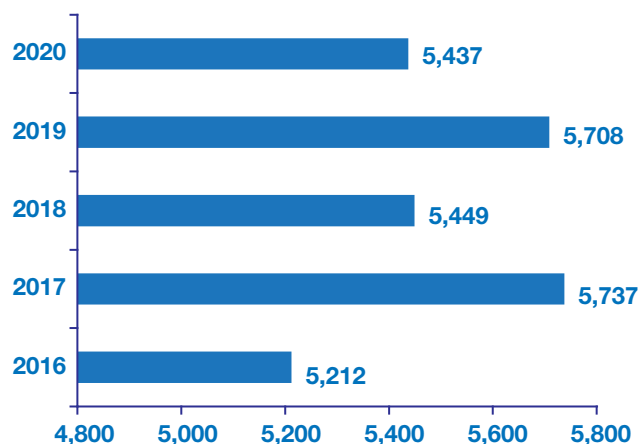
## Group Financial Highlights

	2016	2017	2018	2019	2020
Revenue (RM'000)	83,577	94,735	90,419	96,234	80,026
Profit Before Taxation (RM'000)	5,212	5,737	5,449	5,708	5,437
Profit After Taxation (RM'000)	3,335	4,007	3,797	4,275	3,888
Shareholders' Equity (RM'000)	39,431	45,741	48,263	52,470	58,358
Total Assets (RM'000)	61,748	68,922	72,809	72,731	73,428
Earnings Per Share (Sen)	1.61	1.89	1.77	1.99	1.75
Net Assets Per Share (Sen)	19	21	22	24	25

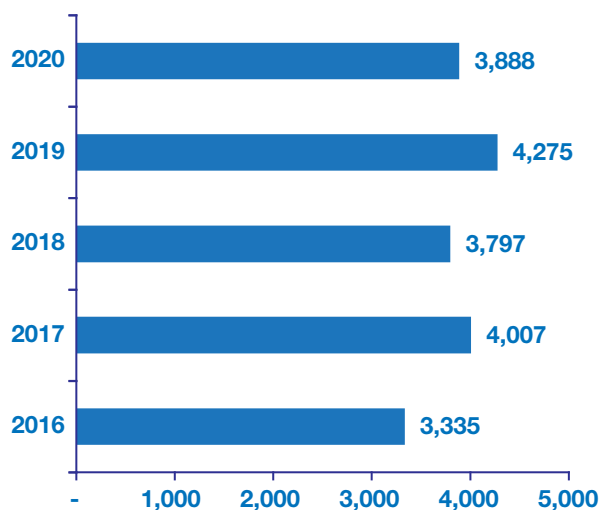
### Revenue (RM'000)



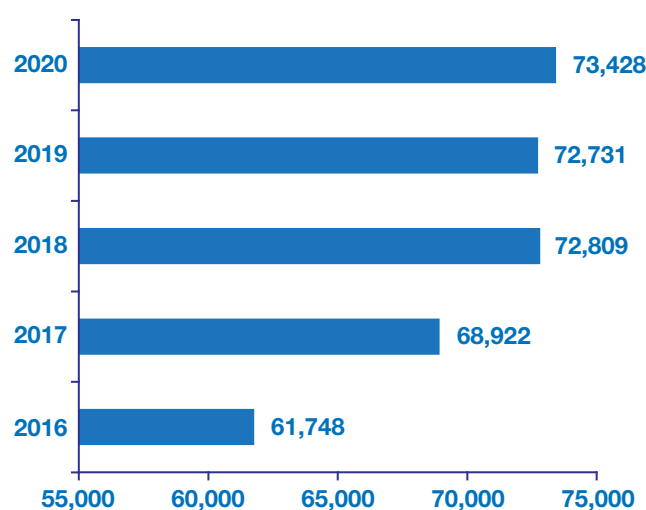
### Profit Before Taxation (RM'000)



### Profit After Taxation (RM'000)



### Total Assets (RM'000)



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Operation

PeterLabs Holdings Berhad (“PLABS” or “the Company”) and its group of subsidiaries (“PLABS Group”) is one of the leading specialists in manufacturing, distribution and trading of animal health and nutrition products. The PLABS Group products include biosecurity and disinfectant, compound feed supplement, feed additives, nutritional premix, pharmaceutical and water soluble supplement.

The manufacturing plant of the PLABS Group is located in Nilai, Negeri Sembilan and has been commercialised since July 2011. The plant was built on a 3-acre land area, which consists of corporate office, production facilities, warehouse facilities, quality control facilities, physio-chemical and microbiology laboratory. The PLABS Group is complying with the ‘Good Manufacturing Practice’ (“GMP”) by the National Pharmaceutical Regulatory Agency (“NPRA”) on the manufacturing facilities within its plant. The PLABS Group provides assurance to its customers that its products are always manufacture in a hygienic manner and in accordance with the best practices of manufacturing. The PLABS Group produces various types of animal health and nutrition products to cater the livestock industry needs with the current production facilities.

In line with the expansion of manufacturing capacity, the PLABS Group has ventured into mass production and toll manufacturing. In year 2015, the PLABS Group expanded and set up another ‘Fat Granular Spray Plant’ in Klang, Selangor with an approximate build-up area of 28,320 square feet. The manufacturing plant is targeted as a manufacturing and storage for our very in-house brand “OsmoFAT”. The manufacturing plant in Klang was successfully commercialised its production since July 2016 and already achieved ISO22000/HACCP Food Safety Management System and GMP+ B2 during the year 2018. In the fourth quarter of 2017, Osmosis Nutrition Sdn Bhd, one of the subsidiaries of the Company, had won the ‘Asia Halal Brand Awards 2017 – Regional Brands – Best Animal Nutrition Feed Product’. Subsequently in early year of 2018, the PLABS Group was awarded the ‘FT1000 High-Growth Companies Asia-Pacific 2018’ by the Financial Times and Statista.

## Business Objective

The PLABS Group provides end-to-end solutions to its customers, which included, but not limited to, the supply of products (consist of animal feed additives and nutrition and medication premixes), farm management, technical advisory services, raw material analysis and feed formulation. The animal feed additives by the PLABS Group are commonly use in the livestock industry, especially on the poultry, ruminant and swine farming segments. This is because the PLABS Group’s products help to increase the farm yield by lowering the mortality rates. It’s also can ensure that the animals will stay healthy and grow to marketable size.

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

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

The PLABS Group provides technical information exchange with its customer’s supervisors, technicians and in-house veterinarians, livestock information sharing, post-mortem on diseased animals, blood sampling of diseased animals for testing and individualise latest technologies in the manufacturing of feed additives which help to meet the challenges in the feed and farming industry. The PLABS Group carries out researches in order to improve its products and to cater the customers’ needs. The PLABS Group also send out its technical teams to visit the customers frequently.

The PLABS Group’s research and development team collaborates with universities and government bodies to carry out ongoing research and development programs to enhance livestock farms’ zootechnical and economic competitive edge in terms of quality, safety, profitability and animal well-being. The PLABS Group also runs field trials at the livestock farms to verify the efficiency of its products.

Seminars are organised frequently for the staffs and customers of the PLABS Group, which included the in-house technical seminars on topics relevant to the customers, general technical seminars, updates on the livestock industry around the world and whenever the PLABS Group launches its new products.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Financial Result

The table below highlights the key financial performance of the PLABS Group for the financial year 2020 ("FY 2020"):

	Financial Year Ended 31 December		Variance
	2020	2019	
	RM'000	RM'000	%
Revenue	80,026	96,234	(16.84)
Cost Of Sales	64,817	78,269	(17.19)
Gross Profit	15,209	17,965	(15.34)
Profit Before Tax	5,437	5,708	(4.75)
Profit After Tax	3,888	4,275	(9.05)
Gross Profit Margin	19.01%	18.67 %	0.34

The PLABS Group's revenue for FY 2020 decreased by RM16.21 million or 16.84% as compared with the financial year 2019 ("FY 2019"). This was mainly due to the slower in the local sales which was affected by the COVID-19 pandemic. The COVID-19 pandemic and the subsequent the implementation of the Movement Control Orders ("MCO") by the Government of Malaysia had caused the manufacturing plants of the PLABS Group to operate at a partial capacity at the beginning of the MCO. However, as livestock industry was deemed as an essential industry and it is critical in ensuring the national food security and self-sufficiency, the manufacturing plants and trading activities of the PLABS Group, which provides supporting services to livestock industry, were able to resume its operations at full capacity on 29 April 2020.

The implementation of the MCO, subsequently the Conditional MCO ("CMCO") and Recovery MCO ("RMCO"), has directly affected the demand for the livestock. Thus, there was a drop in the demand of the products of the PLABS Group.

However, the export market was showed significant improvement, mainly in the sales to Philippines whereby registered an increase of RM1.2 million in the sales for the FY 2020 against the sales in the FY 2019. This was mainly due to the competitive selling price obtained. The PLABS Group will continues strive its best to venture into the export market.

The table below highlights the Local Sales and Export Sales of the PLABS Group for the FY 2020 and FY 2019:

	Financial Year Ended 31 December				Variance	
	2020		2019			
	RM'000	%	RM'000	%	RM'000	%
Local Sales	75,032	93.76	92,887	96.52	(17,855)	(19.22)
Export Sales	4,994	6.24	3,347	3.48	1,647	49.21
Total Sales	80,026	100.00	96,234	100.00	(16,208)	(16.84)

The gross profit margin for the FY 2020 was increased by 0.34% as compared to the FY 2019. This was mainly due to the favorable margin achieved on the sales for some products coupled with the operating cost control for both manufacturing and trading activities.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Other Income

	Financial Year Ended 31 December		Variance
	2020	2019	
	RM'000	RM'000	%
<b>Other Income</b>	<b>2,418</b>	<b>1,296</b>	<b>86.57</b>

The total other income of the PLABS Group was increased significantly by 86.57%. This was mainly due to a higher sundry incomes from the foreign suppliers as a result of achieving the sales target and support from the suppliers.

## Other Operating Expenses

	Financial Year Ended 31 December		Variance
	2020	2019	
	RM'000	RM'000	%
<b>Selling and Distribution Expenses</b>	<b>2,607</b>	<b>3,320</b>	<b>(21.48)</b>
<b>Administration Expenses</b>	<b>9,018</b>	<b>8,885</b>	<b>1.50</b>
<b>Other Expenses</b>	<b>296</b>	<b>825</b>	<b>(64.12)</b>
<b>Total</b>	<b>11,921</b>	<b>13,030</b>	<b>(8.51)</b>

The other operating expenses of the PLABS Group was decreased by 8.51% to RM11.92 million in the FY 2020 as compared to RM13.03 million in the FY 2019. The increase in administrative expenses was mainly due to the increase in staff cost and corporate exercise expenses.

The other expenses of the PLABS Group was decreased from RM0.83 million in the FY2019 to RM0.30 million in the current financial year under review. This was mainly due to the lower inventories written down of RM0.52 million coupled with no bad debt written off of RM0.14 million as compared with the previous financial year.

In addition to that, the lower selling and distribution expenses of the PLABS Group for the FY 2020 in tandem of the lower revenue achieved. This was mainly caused by the implementation of MCO by the Government of Malaysia on 18 March 2020, which has restricted the sales personnel of the PLABS Group to visit the existing customers and potential customers.

## Profit After Tax

The PLABS Group recorded a profit after taxation ("PAT") of RM3.89 million for the FY 2020 as compared to the PAT of RM4.27 million as recorded in the FY 2019. This representing a decrease of RM0.38 million or approximately 8.90%. The lower in the PAT for the current financial year under review arose from the lower revenue as well as a higher deferred tax recognised during the financial year.

## Trade Receivables

The trade receivables were decreased by RM4.68 million, primarily due to the lower revenue achieved for the FY 2020 but the net debtor turnover days had maintained at 99 days in the FY 2020, which was same in the number of days as the FY 2019. However, the Management of the PLABS Group will maintain and practise a good credit control policy with continuous monitoring collection before the approval for delivering the goods to the customers, who are financially distressed.

Moreover, a lower provision of expected credit losses, during the financial year under review, shows a decrease of RM0.03 million as compared to the FY 2019. The PLABS Group will continue to monitor its collection in order to further reduction in the provision for the expected credit losses as stated in the credit control policy of the PLABS Group. In fact, the PLABS Group has not experienced any instances of material bad debts during the financial year ended 31 December 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Cash and Bank Balances

The bank balances of the PLABS Group had increased by 64.55% to RM24.31 million from RM14.78 million in the FY2019. This was mainly due to a shorter in the inventory turnover days as a result of efficient inventory management control implemented by the Management of the PLABS Group. It has also significantly reduced the inventory level from the FY 2019 of RM14.55 million to RM10.03 million in the FY 2020 or reduced by 31.07%. A drastic action was taken in order to conserve cash in hand as a result of lesser upfront payments for most of the overseas and local goods purchased.

## Financial Conditions

Strong Financial Conditions with Healthy Cash Flows

	Financial Year Ended 31 December		Variance
	2020	2019	
	RM'000	RM'000	%
<b>Total Assets</b>	73,428	72,731	0.96
<b>Total Liabilities</b>	15,070	20,261	(25.62)
<b>Total Equity</b>	58,358	52,470	11.22
<b>Total Borrowings</b>	3,769	6,807	(44.63)
<b>Cash and Bank Balances</b>	24,313	14,775	64.55
<b>Issue and Fully Paid Capital (unit)</b>	236,214	214,739	10.00
<b>Net Asset Per Share (sen)</b>	24.71	24.43	8.67
<b>Basic Earnings Per Share (sen)</b>	1.75	1.99	(12.06)

At the end of year 2020, the PLABS Group recorded cash of RM24.31 million, total current assets of RM58.08 million and total current liabilities of RM13.44 million. This was resulted from a quick ratio of 3.58, whereby the PLABS Group has the ability to meet its short-term obligations with its most liquid assets.

The total borrowing of the PLABS Group stood at RM3.77 million, of which RM1.01 million of the borrowings was utilised, mainly, in financing the payments to the local and foreign suppliers.

## Review of Operating Activities

	Trading		Manufacturing		Grand Total	
	Financial Year Ended 31 December					
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net Revenue	74,916	92,763	5,110	3,471	80,026	96,234
Profit Before Tax	3,998	5,876	1,439	(168)	5,437	5,708
Profit After Tax	2,858	4,389	1,030	(114)	3,888	4,275
% of Contribution (Net Revenue)	93.61	96.39	6.39	3.61	-	-
% of Contribution (PAT)	73.51	102.67	26.49	(2.67)	-	-

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

## Trading Segment

The trading segment remains as the core business of the PLABS Group and continues to be the key driver in both revenue and segmental operating profit for the PLABS Group. For the FY 2020, the trading segment contributed 93.61% and 73.51% of the PLABS Group's revenue and PAT respectively.

The trading segment focuses on the distributing products that the PLABS Group currently not able to manufacture. By doing so, the PLABS Group is able to offer a wider range of products to its customers in the animal health and nutrition industry. The PLABS Group is also able to reach a wider customer by offering different products that the customers may specifically require. In addition to that, the trading segment is the marketing arm of the PLABS Group's own manufactured products.

As stated in the Financial Result segment above, the trading segment was, at a certain degree, also experiencing some impacts of COVID-19 pandemic which directly influencing the demand for livestock during the respective MCOs implemented by Government of Malaysia.

## Manufacturing Segment

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

The PLABS Group's plant in Klang is manufacturing the animal feed additives under the PLABS Group's in-house brand, namely OsmoFAT. The plant is mainly cater for the local demand and current export markets. The PLABS Group has more capacity to grow if more penetration and successful ventures made into the export markets.

## Anticipated or Known Risks Relating to the Business and Industries

### (1) Epidemics

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

To minimise the risk of epidemics, the PLABS Group has diversified its customers base to foreign countries such as Bangladesh, China, Indonesia, Brunei, Thailand, Nepal, Belarus, Sri Lanka, Pakistan, Korea, Singapore, Taiwan and Philippines. By this way, the PLABS Group could reduce the risk of sales in the event of an epidemic in any particular location. However, there is no assurance that the outbreak of epidemics will be contained or eliminated the entirely and have no material effect on the business performance.

### (2) Competitive rivalry

The local animal health and nutrition market is highly competitive as it comprises more than 79 market players, which included the domestic product manufacturers, distributors and subsidiaries of international product manufacturers. Due to the relatively mature nature of the local livestock industry, particularly in the poultry and swine sub-industries, the market players are required to have good products, strong branding, critical supply quantity, economies of scale and competitive prices in order to stay one step ahead of their competitors.

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

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

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

To mitigate the risk, the PLABS Group has sourced its supplies from a variety of suppliers. Further to that, the PLABS Group is of the view that holding several distributorships will mitigate the dependence on any single distributor. In the event that any of these distributorships been terminated by either party, there will not be any difficulties in sourcing similar products from any of the PLABS Group's existing distributors, or other suppliers in the market.

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

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

Other prices increase could also be as a result of foreign exchange fluctuations which the PLABS Group has endeavored to negate by entering into the foreign exchange spot contracts to lock in the current exchange rate for the foreign purchases to be settled within three (3) market days.

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

The PLABS Group does not have any long-term contracts with its customers as it is not a normal practice in the industry. As such, in the absence of long-term contracts can be an inherent risk to the business operations of the PLABS Group.

Hence, the PLABS Group is dependent on its major customers and could, to a certain extent, be impacted by any loss in the sales to the major customers. Although, there cannot be assurance that the major customers will continue to purchase the PLABS Group's products, the PLABS Group seeks to mitigate the risk by establishing good business relationships with the major customers. Further, the PLABS Group has been able to keep in touch with its customers regularly through the provision of after-sales services as well as through various farmers' seminars and forums that organised by the PLABS Group from time to time. The PLABS Group's commitment in providing continuous supply of quality products and services has been a vital factor towards the customer satisfactions as well as a major reason for the repeat purchases.

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

Each product in the animal health and nutrition market has its own characteristics and functions. As different products are tailored to different farm animals and different farm environments, these products are not easily replaced or substituted due to their distinctive features and functions. However, within the animal health and nutrition market, the antibiotic related to animal feed additives are most vulnerable to be substituted due to the increasing in awareness of health and environmental hazards as well as the impending regulations related to the antibiotic products.

There is an increasing trend, whereby farmers are switching to non-antibiotic animal feed additives on the basis of a greater environmental sustainability and long-run profitability. The PLABS Group is currently manufactured and trade in both antibiotic and non-antibiotic animal feed additives. This reflects the current preferences and demand of the livestock farmers in Malaysia. As the livestock farmers gradually shift towards greater non-antibiotic feed additives usage, the PLABS Group is easily shift its production and trading patterns to the favour of the non-antibiotic feed additives. The PLABS Group will continue dealing with both types in proportions with the market demand. In this regard, the PLABS Group's exposure to the threat of substitutes is minimised in the event of a major change in the consumers' preferences. Nevertheless, there is no assurance that the performances of the PLABS Group will not be affected in the event there is a new product innovation.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

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

## **Forward-looking Statement**

The PLABS Group foresees a slow economic and business recovery that continues to labour under the threat of the ongoing COVID-19 pandemic. Thus, the PLABS Group will continue to focus on the health and safety of its employees and customers alike while ensuring the sustainability of its operations in the short-term as well as the long-term.

The still-high COVID-19 infections will continue to influence the on-trade consumptions and consumers sentiment in general, but the PLABS Group is cautiously optimistic for the recovery with Malaysia adapting to new social and business norms and the Government of Malaysia controls over the COVID-19 pandemic.

Moreover, with the approval granted from the shareholders, at the previous Extraordinary General Meeting of the Company, which allowed the Company to proceed on the Proposed Acquisition of 60% equity interest in Thye On Tong Trading Sdn Bhd, coupled with the Proposed Diversification which the Management is of the view that such corporate actions will contribute positively to the PLABS Group future earnings and further improve the financial position of the PLABS Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

The Board is pleased to present this statement on the overview of the corporate governance practices of the Company during the financial year ended 31 December 2020 (“FY 2020”). This statement explains how PLABS Group has applied the three (3) principles which are set out in the Code:

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

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

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### i. Board Responsibilities

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

The Board has set the approved authority limit for the Directors and Management on annual basis, which clearly delineates relevant matters and applicable limits, including those reserved for the Board’s approval, and those which the Board may delegate to the Group Managing Director and Management. The last reviewed on the approved authority limit was on 22 April 2021.

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

The Board is also regularly updated and advised on new regulations, guidelines or directive issued by Bursa Malaysia Securities Berhad (“Bursa Securities”), Securities Commission Malaysia and other relevant regulatory authorities.

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

The notices and agendas for the Board meetings and the relevant reports and information for the Board’s review and approval are forwarded to all Board members at least seven (7) days prior to the meetings.



# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (CONT'D)

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

Details of the Directors' attendance of training programs or seminars during the FY 2020 were as follows:

Date	Topic	Attendee(s)
25 February 2020	SPE Malaysia 2020 Education Seminar Series: Overview of Cleaning Validation and Elements of An Effective Bioburden Control Strategy	1. Encik Azman bin Abdul Jalil (retired on 28 September 2020)
18 June 2020	Anti-Bribery and Anti-Corruption Briefing	1. Dato' Hon Choon Kim 2. Mr. Lim Tong Seng 3. Ms. Yap Siaw Peng 4. Mr. Teo Chin Heng 5. Prof. Dr. Paul Cheng Chai Liou 6. Dr. Vijaya Raghavan A/L M P Nair 7. Mr. Lau Yeng Khuan (retired on 28 September 2020) 8. Encik Azman bin Abdul Jalil (retired on 28 September 2020)
16 December 2020	Industry4WRD Incentive Talks	1. Ms. Yap Siaw Peng

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

The Board Charter would act as a source reference and primary induction literature, provide insights to the prospective Board members as well as assist the Board in the assessment of its own performance and that of its individual Directors. The Board Charter will be reviewed periodically and updated in accordance with the needs of the PLABS Group and any new regulations. The Board Charter is available on the Company's website at <https://www.peterlabs.com.my>.

During the FY 2020, the PLABS Group has adopted a set of Whistleblowing Policy ("Policy") and procedure as the Board believes that the implementation of the Policy will strengthen and support good management and at the same time, demonstrates accountability, good risk management and sound corporate governance practices. The Policy is to encourage reporting of any major concerns over any wrongdoings within the PLABS Group. The Policy also outlines the procedures such as when, how and to whom a concern may be properly raised about genuinely suspected instances of any wrongdoing within the PLABS Group. The identity of the whistleblower will be kept confidential and protection is accorded to the whistleblower against any form of victimisation, retribution or retaliation. The Policy is available on the Company's website at <https://www.peterlabs.com.my>.

Additionally, the PLABS Group has also undertaken the assessment of bribery and corruption risks as part of adequate procedures required in connection with the Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") that has come into force on 1 June 2020. The PLABS Group has implemented an Anti-Bribery and Anti-Corruption Policy and Guidelines ("ABAC Policy & Guidelines") to reinforce the PLABS Group's utmost commitment and practice in conducting its affairs in a highest standard of integrity and ethics in line with the intent and spirit of Malaysian Anti-Corruption Commission Act 2009 [Act 694] and Malaysian Anti-Corruption Commission (Amendment) Act 2018 and all applicable laws and regulations involving bribery and corruption. The ABAC Policy & Guidelines is available on the Company's website at <https://www.peterlabs.com.my>.

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (CONT'D)

### ii. Board Composition

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

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

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

The Board, through its NC, conducts an annual assessment of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals. For the year under review, the Board is satisfied with its current mix of qualification, skills, experiences, expertise and strength, in discharging its duties effectively.

In accordance with Rule 15.02 of the ACE Market Listing Requirements of Bursa Securities, at least 2 directors or 1/3 of the board of directors of a listed corporation, whichever is higher, are independent directors. If the number of directors of the listed corporation is not 3 or multiple of 3, then the number nearest 1/3 must be used.

The Constitution of the Company provides that an election of Directors shall take place each year. At the annual general meeting ("AGM") of the Company where one-third (1/3) of the Directors for the time being or if the number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) shall retire from office provided always that all directors, including a Managing Director or Deputy Managing Director, shall retire from office once at least in each three (3) years but shall be eligible for re-election. Any Director appointed, either to fill a casual vacancy or as an additional to the Board, shall hold office until the next AGM and shall then be eligible for re-election.

At the forthcoming 2021 AGM, the Directors namely Prof. Dr. Paul Cheng Chai Liou and Ms Yap Siaw Ping, who are eligible for re-election, will be retired by rotation pursuant to the provision of the Constitution of the Company. In addition, Dato' Ng Boon Siong and Datuk Loh Saw Foong, who were appointed to the Board on 15 December 2020 and 5 January 2021 respectively and are eligible for re-election, will be retired pursuant to the provision of the Constitution of the Company. All the retiring Directors have given their consent for the re-appointment.

During the FY 2020, the Board's size had decreased from nine (9) members as at 1 January 2020 to seven (7) members as at 31 December 2020.

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

The Board acknowledge the importance of boardroom diversity and workforce gender diversity policy. The Board currently has one female director on the board. The PLABS Group is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race and religion, within the PLABS Group.

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (CONT'D)

### Tenure of Independent Directors

The Board has also adopted the recommendation of the Code that the tenure of an Independent Director of the Company should not exceed a cumulative term of nine (9) years, with the view to enable the Board's continuous refreshment and to maintain its effectiveness. If the tenure of the Independent Directors has exceeded a cumulative term of nine (9) years, the Board will justify and seek the shareholders' approval at the AGM. In addition, if the Board continues to retain the Independent Directors after the twelfth (12) year, the Board will seek the shareholders' approval at the AGM for the retention of the Independent Directors to continue in the office as Independent Directors through a two-tier process.

The Independent Directors play a crucial role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all the stakeholders.

As at the 10th AGM, the shareholders of PLABS had approved the retention of Dato' Hon Choon Kim, Prof. Dr. Paul Cheng Chai Liou and Dr. Vijaya Raghavan a/l M P Nair, whom have served as Independent Non-Executive Directors for a cumulative term of more than 9 years, to continue to act as Independent Directors of the Company.

The Board believes that Dato' Hon Choon Kim, Prof. Dr. Paul Cheng Chai Liou, and Dr. Vijaya Raghavan a/l M P Nair, who have served for more than nine (9) years as Independent Directors, will remain unbiased, objective and independent in expressing their opinions and in participating in decision-making of the Board. Furthermore, their pertinent expertise, skills and detailed knowledge of the PLABS Group's businesses and operations enable them to make significant contributions actively and effectively to the Company's decision-making during deliberations or discussions.

At the forthcoming 2021 AGM, Dato' Hon Choon Kim, Prof. Dr. Paul Cheng Chai Liou, and Dr. Vijaya Raghavan a/l M P Nair will be seeking for the retention as Independent Directors of the Company. The NC and Board have recommended them to be retained as Independent Directors and Ordinary Resolutions for the aforesaid proposals will be tabled at the forthcoming AGM for the shareholders' approval.

### iii. Remuneration

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

The Board has established a Remuneration Committee which consists of two (2) Independent Non-Executive Directors and one (1) Executive Director and the members of the RC are as follows:

Name	Designation	Directorship
Dr. Vijaya Raghavan A/L M P Nair	Chairman	Independent Non-Executive Director
Dato' Hon Choon Kim	Member	Independent Non-Executive Chairman
Ms. Yap Siaw Peng	Member	Executive Director

The remuneration of the Executive Directors is structured and the rewards are based on the performance of the PLABS Group and individual. In the case of Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibility undertaken by the particular Non-Executive Director. The Board as a whole, determines the remuneration of Non-Executive Directors and each individual Director will be abstains from the Board's decision on his own remuneration.

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (CONT'D)

### PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

#### i. Audit Committee

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

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

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

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

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

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

The Board has its policy on suitability and independence of external auditors. In accordance to the policy, the AC will review the qualification, audit performance and execution, provision of non-audit service and tenure of service of the external auditors. Annually, the AC will also review the appointment/re-appointment, performance and remuneration of the external auditors before recommending the matters to the Board and subsequently, to the shareholders for the appointment/re-appointment of the external auditors at the AGM.

Details of the AC Report are set out on pages 31 till 35 of this Annual Report.

#### ii. Risk Management and Internal Control Framework

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

Details of the Statement on Risk Management and Internal Control are set out on pages 36 till 38 of this Annual Report.

#### Internal Audit Function

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Details of the Company's internal audit function are set out in the Statement on Risk Management and Internal Control on pages 28 and 29 of this Annual Report.

The Internal Auditor of the Company has adopted the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), which controls the framework throughout their audit implementation as a basic for assessing the adequacy and effectiveness of the Company's risk management and internal control.

The COSO framework included:

- a. Organisational Control Environment - provides an atmosphere in which people conduct their activities and carry out their control responsibilities. It serves as the foundation for the other components.
- b. Risk Assessment - within this environment, management assesses risks to the achievement of specific objectives.
- c. Control Activities - are implemented to help ensure that management directives to address the risks are carried out.
- d. Information & Communication - meanwhile, relevant information is captured and communicated throughout the organisation.
- e. Monitoring - the entire process is monitored and modified as conditions warrant.

The functions, duties and responsibilities of the AC are set out in the Terms of Reference ("TOR"). The TOR of the AC was adopted on 29 November 2016 and is available on the Company's website at <https://www.peterlabs.com.my>.

The PLABS Group has outsourced its internal audit function to a professional audit firm. The internal auditors from the audit firm are report directly to the AC on a quarterly basis by presenting its internal audit reports at the AC meetings, whereby relevant issues identified in the internal audit reports will be discussed together with the presence of the Management, if necessary. Rectification works, if any, will be performed and follow-up will be carried out by the internal auditors for the purpose of reporting the updates to the AC.

During the FY 2020, the internal auditors reviewed the adequacy and integrity of the PLABS Group's system of internal control covering both financial as well as non-financial matters. The audits focused on key controls to manage risks, safeguard assets, secure the accuracy and reliability of records, comply with policies, procedures, laws and regulations and promote efficiency of operations. For the year 2020, the cost incurred for internal audit function was RM26,400.

During the FY 2020, a new internal auditor has been appointed for the replacement of the existing internal auditors, who had tendered its resignation. The service term of the new internal auditors will be reviewed and assessed based on year-by-year basis.

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

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

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

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

# CORPORATE GOVERNANCE OVERVIEW

## STATEMENT (CONT'D)

The Board strives to comply with the corporate disclosure requirements as required by Bursa Securities and the PLABS Group has adopted the following forms of information disclosure:

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

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

### **Leverage on Information Technology**

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

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

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

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

There were no substantive resolutions put forth for the shareholders' approval at the previous AGM held on 28 September 2020. As such, all resolutions tabled for the shareholders' approval were voted by way of poll.

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

## **COMPLIANCE WITH THE CODE**

The Board considers that the PLABS Group has substantially complied with the best practices as stipulated in the Principles and Recommendations of the Code throughout the FY 2020.

This statement was approved by the Board on 22 April 2021.



# AUDIT COMMITTEE REPORT

The Board of Directors (“the Board”) of Peterlabs Holdings Berhad (“PLABS” or “the Company”) is pleased to present the following Audit Committee Report and its summary of works for the financial year ended 31 December 2020 (“FY 2020”).

## **MEMBERS OF AUDIT COMMITTEE**

The members of the Audit Committee (“AC”) of PLABS is comprised wholly of Independent Non-Executive Directors, as follows:

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

Chairman, Senior Independent Non-Executive Director

### **Dato’ Hon Choon Kim**

Member, Independent Non-Executive Chairman

### **Dato’ Ng Boon Siong**

Member, Independent Non-Executive Director

*(Appointed on 15 December 2020)*

### **Encik Azman bin Abdul Jalil**

Member, Independent Non-Executive Director

*(Retired on 28 September 2020)*

Prof. Dr. Paul Cheng Chai Liou meets the requirement of Rule 15.09(1)(c)(i) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securites”) whereby he is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

## **TERMS OF REFERENCE**

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

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

## **MEETINGS AND MINUTES**

### **Attendance at Meetings**

The record of attendance of the members of the AC for meetings held during the FY 2020 are as follows:

	NO. OF AC MEETINGS HELD DURING MEMBER’S TENURE IN OFFICE	NO. OF AC MEETINGS ATTENDED BY MEMBER
Prof. Dr. Paul Cheng Chai Liou	4	4/4
Dato’ Hon Choon Kim	4	4/4
Dato’ Ng Boon Siong <i>(Appointed on 15 December 2020)</i>	Not Applicable	Not Applicable
Azman bin Abdul Jalil <i>(Retired on 28 September 2020)</i>	3	3/3



# AUDIT COMMITTEE REPORT (CONT'D)

## Meetings

The quorum of the AC meeting shall be at least two (2) of the members and majority of whom shall be Independent Non-Executive Directors.

The AC shall meet at least four (4) times a year or more frequently as circumstances dictate and the AC encouraged at least twice (2) in a year to meet with the external auditors without the presence of the executive Board members and Management.

The AC meetings are pre-scheduled and are timed just before the Board meetings. The agendas carry matters that need to be deliberated, reviewed or decided on and reported to the Board. The notices and the AC papers are circulated to all the AC members at least seven (7) days prior to the meeting with sufficient time allocated for the AC members to prepare themselves for deliberation on the matters being raised.

The AC may request other Board members, members of other Board Committees, key management, counsels and consultants when applicable and necessary to participate in the AC meetings, to assist in carrying out the AC's responsibilities.

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

## Minutes

The Company Secretary shall act as secretary of the AC which shall provide the necessary administrative and secretarial services for the effective functioning of the AC. The minutes of the meetings are circulated to the AC members and also to the Board members who are not the AC members.

## OBJECTIVES AND AUTHORITY

### Objectives

The purpose of the AC is to assist the Board in fulfilling its fiduciary duties as well as oversight objectives on the activities of the PLABS's group of companies ("PLABS Group") in respect of the following:

- i. assist the Board in meetings its responsibilities relating to accounting and reporting practices of the PLABS Group;
- ii. oversee the financial reporting;
- iii. assess the risks and control environment;
- iv. evaluate the internal and external audit systems, processes and outcomes;
- v. reviews conflict of interest situations and related party transactions; and
- vi. undertakes any such other functions as may be determined by the Board from time to time.

# AUDIT COMMITTEE REPORT (CONT'D)

## Powers and Authority

The AC is authorised by the Board, within the scope of its duties and responsibilities set out in the TOR, to:

- i. investigate any activity or matter within its TOR;
- ii. have full and unrestricted access to information, records, properties and personnel within the PLABS Group;
- iii. obtain relevant internal and external independent professional to assist in the proper discharge of its roles and responsibilities, advice, as it deems necessary;
- iv. maintain direct communication with the external auditors and internal auditors and with the key management of the PLABS Group; and
- v. convene meetings with the external auditors, internal auditors without the presence of other Board members and management of the PLABS Group, whenever deemed necessary.

## SUMMARY OF ACTIVITIES

In respect of the FY 2020, the AC, in discharging its duties and functions, carried out the activities which are summarised broadly as follows:

### a) Internal Audit

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

The Company engaged Messrs OAC Consulting Sdn Bhd ("OAC") as the outsourced internal auditors to carry out the internal audit function of the PLABS Group for the FY 2020.

The internal auditors are report directly to the AC on a quarterly basis by presenting its internal audit reports at the AC meetings, whereby relevant issues identified in the internal audit reports will be discussed together with the Management in the meeting, if necessary. Rectification work, if any, will be performed and follow-up will be carried out by internal auditors for the purpose of reporting at the AC.

In February 2020, OAC tabled its internal audit report focused on the area of Payment, which covered the internal controls relating to the overall procedures and processes and were generally satisfactory and functioning appropriately as intended with a minor issue raised.

In June 2020, OAC tabled its internal audit report focused on the area of the Credit Management, which covered the internal controls relating to the overall procedures and processes and were generally satisfactory and functioning appropriately as intended with no major issues highlighted.

In August 2020, OAC tabled its internal audit report focused on the Technical Department, which covered the internal controls relating to the overall procedures and processes and were generally satisfactory and functioning appropriately as intended and there were no major issues highlighted.

In November 2020, OAC tabled its internal audit report focused on the Production for Osmosis Nutrition Sdn Bhd at the premises in Klang, which covered the internal control relating to the overall processes and were generally satisfactory with no major issues highlighted.

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

# AUDIT COMMITTEE REPORT (CONT'D)

For the year 2020, the cost incurred for the internal audit functions was RM26,400.

The AC is pleased to report that for FY 2021, the PLABS Group had appointed new internal auditors, namely Smart Business Consulting in replacing the existing internal auditors, to perform the internal audit function for the year 2021 and their service term will be reviewed and assessed based on year-by-year basis.

## **b) Financial Reporting**

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

- i. reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to the submission to the Board for consideration and approval. The unaudited preliminary results of the PLABS Group for the 4th quarter ended 31 December 2019, 1st quarter ended 31 March 2020, 2nd quarter ended 30 June 2020 and 3rd quarter ended 30 September 2020 were tabled at the respective AC meetings held on 27 February 2020, 18 June 2020, 10 August 2020 and 26 November 2020;
- ii. ensured that the quarterly reports and Audited Financial Statements ("AFS") were prepared in compliance with the Malaysian Financial Reporting Standard ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act 2016 of Malaysia while the quarterly reports took into consideration of Rule 9.22, including the Appendix 9B, of the ACE Market Listing Requirements of Bursa Securities;
- iii. reviewed the Audit Planning Memorandum ("APM") for the FY 2020 presented by the external auditors, which covered the acceptance and independence, deep business understanding, relevant risks, audit approach, engagement team and communication plan, audit approach, planning materiality, key audit areas, key audit matters, adapting to COVID-19 challenges, and financial reporting and disclosure, compliance with laws and regulations and fraud related matters as well as the proposed audit fees for the FY 2020;
- iv. reviewed the audit findings and recommendations by the external auditors and the AFS for the financial year ended 31 December 2019 on 17 March 2020;
- v. reviewed the RPTs/RRPTs, if any, entered between the PLABS Group and the Directors of the Company at the AC meetings on 27 February 2020, 18 June 2020, 10 August 2020 and 26 November 2020;
- vi. evaluated the performance of the external auditors, reviewed the independence of the external auditors and recommended to the Board for the re-appointment of the external auditors for the ensuing year;
- vii. ensured the integrity of the financial information, received an assurance from the Executive Director and the financial team of the PLABS Group, that:
  - appropriate accounting policies had been adopted and applied consistently;
  - the going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
  - prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
  - adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRSs and Listing Requirements; and
  - the consolidated AFS and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.
- viii. reviewed the AC Report, Corporate Governance ("CG") Overview Statement, CG Report and Statement on Risk Management and Internal Control for publication in the 2020 Annual Report; and

# AUDIT COMMITTEE REPORT (CONT'D)

- ix. reviewed the Statement of Risk Management and Internal Control ("SRMIC") together with the Internal Auditors and External Auditors and received an assurance from the Executive Director and the financial team of the PLABS Group, that the PLABS Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommended the SRMIC to the Board for approval.

## c) External Audit

Messrs Grant Thornton Malaysia PLT ("GT") is the external auditors of the PLABS Group. GT led by their engagement partner presented their external APM for the FY 2020 on 26 November 2020 and had declared and confirmed that they were independent and would be independent through their audit engagement.

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

The non-audit fees payable to the external auditors amounting to RM22,400 for the FY 2020. The non-audit fees were in respect of services rendered in respect of tax compliance, review of the SRMIC.

The AC carried out an assessment of the performance and suitability of GT based on the quality of services and relationship with the PLABS Group and also the internal auditors. The AC has been generally satisfied with the independence, performance and suitability of GT based on the assessment and are recommended to the Board and shareholders for approvals for the re-appointment of GT as the external auditors of the PLABS Group for the financial year ending 31 December 2021.

## CG PRACTICES

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

The AC discussed and reviewed the CG Overview Statement and CG Report for the FY 2020.

This statement was approved by the Board on 22 April 2021.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2017 (“the Code”) stated that a proper risk management and internal control are important aspects of a company’s governance, management and operations. Risk management focuses on identifying threats and opportunities while internal control helps counter threats and takes advantage of opportunities. Proper risk management and internal control assist companies in making informed decisions about the level of risk that they want to take and implement the necessary controls to effectively pursue their objectives. Successful companies integrate effective governance structures and processes with performance-focused risk management and internal control at every level of the company and across all operations.

In addition, the Companies Act 2016 (“the CA”) also sets out that the Directors of a public company or a subsidiary of a public company shall have in place a system of internal control that will provide reasonable assurance that assets of the company are safeguarded against loss from unauthorised use of disposition and to give a proper account of the assets and all transactions are properly authorised as well as recorded as necessary to enable preparation of true and fair view of the financial statements of the company.

This Statement on Risk Management and Internal Control is made pursuant to Rule 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) as well as the practice principles set out under the Code. The Board of Directors (“the Board” or “the Company”) of PeterLabs Holdings Berhad (“PLABS” or “the Company”) is pleased to present the Statement on Risk Management and Internal Control of PLABS and its group of companies (“PLABS Group”) for the financial year ended 31 December 2020 (“FY 2020”).

## **Board Responsibility**

The Board affirms its responsibility for determining the nature and extent of the significant risks that the PLABS Group is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit Committee (“AC”) of the Company, it carries out a review of the effectiveness of the PLABS Group’s risk management and internal control systems and reports to the Board on quarterly basis. Such review covers all materials controls including financials, operations, management information systems and compliance controls and risk management systems.

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

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

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

## **Risk Management Framework**

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

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

The systems of the risk management and internal controls primarily cover areas of the operational efficiency, effectiveness and controls, financial controls and reporting, compliance monitoring and process improvements. Additionally, the PLABS Group has also undertaken the assessment of bribery and corruption risks as part of adequate procedures required in connection with the Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") that has come into force on 1 June 2020. The PLABS Group has implemented an Anti-Bribery and Anti-Corruption Policy and Guidelines ("ABAC Policy & Guidelines") to reinforce the PLABS Group's utmost commitment and practice in conducting its affairs in a highest standard of integrity and ethics in line with the intent and spirit of Malaysian Anti-Corruption Commission Act 2009 [Act 694] and Malaysian Anti-Corruption Commission (Amendment) Act 2018 and all applicable laws and regulations involving bribery and corruption.

In undertaking the functions and duties of the Board with regards to the risk management and internal controls of the PLABS Group, the Board is supported by the AC.

The AC has been tasked by the Board with, amongst others, the duty of reviewing and monitoring the adequacy and effectiveness of the PLABS Group's risk management and internal controls. The day-to-day implementation of risk awareness and management as well as compliance under the PLABS Group's internal control processes and procedures are part of the responsibilities of the management team of the PLABS Group. The PLABS Group has an organisational structure with clearly defined lines of accountability and responsibility as well as delegation of authority and reporting structure.

## Internal Audit Structure

The PLABS Group has outsourced its internal audit function to a professional audit firm. The internal auditors from the audit firm are report directly to the AC. Four (4) reports and a final summary report on the internal audit findings were issued and presented to the AC during the FY 2020. The internal audit function reviews critical business processes and identifies internal controls gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process.

The internal auditors play a critical role in the objective assessment of the PLABS Group's business processes by providing the AC with reasonable independent assurance on the effectiveness and integrity of the PLABS Group's system of risk management and internal control.

The internal auditors are not related to any of the Directors and the Management of the PLABS Group nor there exist any conflicts of interest between the internal auditors and the companies within the PLABS Group that could impair the objectivity and independence of the internal auditors.

## Organisation Structure

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

## Financial Reporting Controls

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





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

## **Operational Monitoring and Controls**

The monitoring and control procedures, which are incorporated into day-to-day operational procedures, are regularly reviewed by the Executive Directors who are reporting directly to the Board. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business and report independently to the AC of the outcomes and findings.

## **Performance Measurement Controls**

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

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

## **Conclusion**

The Board is pleased to report that there were no major internal control weaknesses identified during the FY 2020 nor have any of the reported weaknesses which has resulted in material losses or contingencies requiring disclosure in the Company's Annual Report. The Board and the Management of the PLABS Group will continue to take measures to strengthen the risk and control environment and monitor the health of the risk management and internal control framework.

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

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

This Statement on Risk Management and Internal Control has been approved by the Board on 22 April 2021.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

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

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

# ADDITIONAL COMPLIANCE INFORMATION

**The following additional compliance information is provided in accordance with Rule 9.25 of the ACE Market Listing Requirements:**

## 1. Material Contracts

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

## 2. Contract Relating To Loan

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

## 3. Audit and Non-audit Fees

The audit fees payable to the external auditors by the PLABS Group for the financial year ended 31 December 2020 were amounted to RM65,600.

The non-audit fees of RM22,400 payable to the external auditors by the PLABS Group is for the tax compliance and also the annual review of the Statement on Risk Management and Internal Control.

## 4. Utilisation of Proceeds Raised from Corporate Proposal

As at 31 December 2020, the gross proceeds from the private placement exercise amounting to RM4.424 million have been utilised in the following manner:

No.	Purposes	Proposed Utilisation* RM'000	Actual Proceeds Raised# RM'000	Actual Utilisation as at 31 December 2020 RM'000	Balance to be Utilised RM'000	%
(i)	Investment in new business	3,000	3,000	1,080	1,920	64.00
(ii)	Working capital	1,165	1,294	-	1,294	100.00
(iii)	Estimated listing expenses	130	130	62	68	52.31
		<b>4,295</b>	<b>4,424</b>	<b>1,142</b>	<b>3,282</b>	<b>74.19</b>

Notes:

\* As per announcement dated 21 July 2020

# As per announcement dated 26 August 2020

## 5. Deferment of Annual General Meeting

With the outbreak of Coronavirus Disease (COVID-19) in Malaysia and as part of the safety measures to curb the spread of COVID-19 pandemic, the forthcoming 11th Annual General Meeting of the Company ("11th AGM") of the Company will be decided later. In addition, the Company has applied for an Extension of Time under Section 340(1) of the Companies Act 2016 to hold its 11th AGM with the Companies Commission of Malaysia and currently pending for the approval.

# FINANCIAL STATEMENTS

<u>CONTENTS</u>	<u>PAGES</u>
• Directors' Report	42 - 47
• Statement by Directors and Statutory Declaration	48
• Independent Auditors' Report	49 - 53
• Statements of Financial Position	54 - 55
• Statements of Profit or Loss and Other Comprehensive Income	56
• Statements of Changes in Equity	57 - 58
• Statements of Cash Flows	59 - 61
• Notes to the Financial Statements	62 - 113

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. The principal activities of its subsidiaries are disclosed in Note 5 to the Financial Statements.

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

## FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	3,888,340	2,017,915
Attributable to:- Owners of the Company	3,888,340	2,017,915

## DIVIDENDS

Dividends paid since the end of the previous financial year are as follows:-

	RM
<b>In respect of the financial year ended 31 December 2020:-</b>	
Single tier interim dividend of RM0.01 per ordinary share, totalling RM2,362,139 declared on 17 September 2020 and paid on 9 October 2020	2,362,139

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

## RESERVES AND PROVISIONS

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

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS

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

Dato' Hon Choon Kim (Independent Non-Executive Chairman)  
Lim Tong Seng (Group Managing Director)\*  
Teo Chin Heng (Executive Director)\*  
Yap Siaw Peng (Executive Director) #  
Datuk Loh Saw Foong (Executive Director, appointed on 5 January 2021)^  
Prof. Dr. Paul Cheng Chai Liou (Senior Independent Non-Executive Director)  
Dr. Vijaya Raghavan A/L M P Nair (Independent Non-Executive Director)  
Dato' Ng Boon Siong (Independent Non-Executive Director, appointed on 15 December 2020)  
Ng Kau (Independent Non-Executive Director, Alternate Director to Dato' Ng Boon Siong, appointed on 15 December 2020)  
Datuk Wira Dr. Goy Hong Boon (Executive Director, resigned on 28 February 2020)  
Azman Bin Abdul Jalil (Independent Non-Executive Director, retired on 28 September 2020)  
Lau Yeng Khuan (Executive Director, retired on 28 September 2020)

- \* *Director of the Company and of the subsidiaries, namely OMS Resources Sdn Bhd, Osmosis Nutrition Sdn Bhd, PeterLabs Sdn Bhd and Plon Synergy Group Sdn Bhd.*
- # *Director of the Company and of the subsidiaries, namely Osmosis Nutrition Sdn Bhd, PeterLabs Sdn Bhd, Plon Synergy Group Sdn Bhd and Thye On Tong Trading Sdn Bhd.*
- ^ *Director of the Company and of a subsidiary, namely Thye On Tong Trading Sdn Bhd (become a subsidiary with effect from 15 January 2021).*

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

Dr. Teo Kooi Cheng  
Kho Siaw Sua  
Lau Yeng Khuan  
Datin Lin Ching Yein

In accordance with Clauses 134 and 119 of the Company's Constitution, Prof. Dr. Paul Cheng Chai Liou, Yap Siaw Peng, Dato' Ng Boon Siong and Datuk Loh Saw Foong will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit 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 other than those disclosed in the Notes to the Financial Statements.

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 24 to the Financial Statements.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Ordinary shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
<b>Interest in the Company</b>				
<b>Direct interest</b>				
Lim Tong Seng	12,943,238	-	-	12,943,238
Teo Chin Heng	21,270,109	-	-	21,270,109
Yap Siaw Peng	1,350,058	-	-	1,350,058
<b>Indirect interest</b>				
Dato' Hon Choon Kim (Deemed interest by virtue of the shares held by his spouse)	50,000	-	-	50,000

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 21,473,990 new ordinary shares at an issue price of RM0.206 per ordinary share for a total cash consideration of RM4,423,642 for an acquisition of a subsidiary during the financial year.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There were no debentures issued during the financial year.



# DIRECTORS' REPORT (CONT'D)

## OTHER STATUTORY INFORMATION

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

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

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

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

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

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



# DIRECTORS' REPORT (CONT'D)

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

In the opinion of the Directors:-

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

## **INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

The amount of indemnity coverage and insurance premium paid for Directors and Officers of the Group and of the Company during the financial year are disclosed in Note 24 to the Financial Statements.

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD**

The significant events during the financial year and subsequent to the reporting period are disclosed in Note 32 to the Financial Statements.

# DIRECTORS' REPORT (CONT'D)

## AUDITORS

The total amount of fees paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as Auditors of the Company and of its subsidiaries for the financial year ended 31 December 2020 amounted to RM15,000 and RM50,600 respectively.

The Company has agreed to indemnify the Auditors, Grant Thornton Malaysia PLT, as permitted under Section 289 of the Companies Act, 2016 in Malaysia. No payment has been made to indemnify Grant Thornton Malaysia PLT for the financial year ended 31 December 2020.

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

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

.....	)	
LIM TONG SENG	)	
	)	
	)	
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	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
	)	
	)	
.....	)	
YAP SIAW PENG	)	

Kuala Lumpur  
22 April 2021

# STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 54 to 113 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

.....  
LIM TONG SENG

.....  
YAP SIAW PENG

Kuala Lumpur  
22 April 2021

## STATUTORY DECLARATION

I, Lee Huey Fen, being the officer primarily responsible for the financial management of PeterLabs Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 54 to 113 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed at Kuala Lumpur in )  
the Federal Territory this day of )  
22 April 2021 )

.....  
LEE HUEY FEN  
(MIA NO. 40269)

Before me:

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of PeterLabs Holdings Berhad, which comprise the statements of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 113.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

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

### Independent and Other Ethical Responsibilities

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



# INDEPENDENT AUDITORS' REPORT (CONT'D)

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

### Key Audit Matters

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

#### *Inventories valuation*

##### The risk

Refer to Note 6 to the Financial Statements. The Group holds significant amount of inventories that amounted to RM10,032,073 which are subjected to a risk that the inventories become slow-moving or obsolete and rendering them not saleable or can only be sold for selling prices that are less than their carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence provision and in making an assessment of their adequacy due to risk of inventories not stated at the lower of costs or market values.

##### Our response

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

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

##### The risk

Refer to Note 7 to the Financial Statements. We focused on this area because the Group has material amount of trade receivables that amounted to RM21,669,412. The adequacy of assessment on recoverability of trade receivables require the use of estimates and judgements of the management. The Group applies a simplified approach in calculating provision for expected credit losses ("ECLs"). Therefore, the Group does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Group considers amongst others, its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### Our response

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

# INDEPENDENT AUDITORS' REPORT (CONT'D)

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

### Key Audit Matters (cont'd)

#### *Revenue recognition*

##### The risk

Refer to Note 16 to the Financial Statements. We focus on this area given the magnitude of revenue transaction that occurred. Under MFRS 15 Revenue from contracts with customers, revenue is recognised through a five steps model by identifying the contracts, identifying performance obligation, determine transaction price, allocate transaction price to performance obligation and recognise revenue.

##### Our response

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

We understood and reviewed the appropriateness of revenue recognition policies.

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

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

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining other information expected to be included in the annual report, which is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



# INDEPENDENT AUDITORS' REPORT (CONT'D)

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

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

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

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

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

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

### Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT  
(201906003682 & LLP0022494-LCA)  
CHARTERED ACCOUNTANTS (AF 0737)

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

Kuala Lumpur  
22 April 2021

# STATEMENTS OF FINANCIAL POSITION

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	15,345,007	16,630,501	-	-
Investment in subsidiaries	5	-	-	27,825,900	27,825,900
Total non-current assets		15,345,007	16,630,501	27,825,900	27,825,900
<b>Current assets</b>					
Inventories	6	10,032,073	14,549,564	-	-
Trade receivables	7	21,669,412	26,347,550	-	-
Other receivables	8	2,033,064	390,020	1,091,208	11,208
Amount due from a subsidiary	5	-	-	2,120	148
Tax recoverable		35,552	38,739	-	709
Cash and bank balances	9	24,313,248	14,775,129	3,797,238	431,788
Total current assets		58,083,349	56,101,002	4,890,566	443,853
<b>TOTAL ASSETS</b>		<b>73,428,356</b>	<b>72,731,503</b>	<b>32,716,466</b>	<b>28,269,753</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company:-</b>					
Share capital	10	31,820,959	27,459,485	31,820,959	27,459,485
Retained earnings		26,537,125	25,010,924	54,682	398,906
Total equity		58,358,084	52,470,409	31,875,641	27,858,391
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	11	990,286	1,133,572	-	-
Borrowings	12	-	15,761	-	-
Deferred tax liabilities	13	640,000	350,000	-	-
Total non-current liabilities		1,630,286	1,499,333	-	-

# STATEMENTS OF FINANCIAL POSITION (CONT'D)

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONT'D)

		<b>Group</b>		<b>Company</b>	
	<u>Note</u>	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>EQUITY AND LIABILITIES (CONT'D)</b>					
<b>LIABILITIES (CONT'D)</b>					
<b>Current liabilities</b>					
Trade payables	14	3,422,555	5,850,316	-	-
Other payables	15	5,751,657	5,192,312	840,170	411,362
Lease liabilities	11	495,877	592,937	-	-
Borrowings	12	3,769,242	6,791,510	-	-
Tax payable		655	334,686	655	-
		<u>13,439,986</u>	<u>18,761,761</u>	<u>840,825</u>	<u>411,362</u>
Total current liabilities		13,439,986	18,761,761	840,825	411,362
<b>TOTAL LIABILITIES</b>		<u>15,070,272</u>	<u>20,261,094</u>	<u>840,825</u>	<u>411,362</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>73,428,356</u>	<u>72,731,503</u>	<u>32,716,466</u>	<u>28,269,753</u>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	16	80,025,637	96,233,929	3,187,000	-
Cost of sales		<u>(64,817,049)</u>	<u>(78,268,795)</u>	<u>-</u>	<u>-</u>
Gross profit		15,208,588	17,965,134	3,187,000	-
Other income	17	2,418,077	1,296,427	24,434	3,600
Selling and distribution expenses		(2,607,017)	(3,319,647)	-	-
Administrative expenses		(9,018,105)	(8,885,635)	(1,187,758)	(646,799)
Other expenses	18	<u>(295,683)</u>	<u>(825,480)</u>	<u>-</u>	<u>-</u>
Operating profit/(loss)		5,705,860	6,230,799	2,023,676	(643,199)
Finance costs	19	<u>(268,674)</u>	<u>(522,693)</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before tax	20	5,437,186	5,708,106	2,023,676	(643,199)
Tax expense	21	<u>(1,548,846)</u>	<u>(1,432,796)</u>	<u>(5,761)</u>	<u>-</u>
Profit/(Loss) for the financial year		3,888,340	4,275,310	2,017,915	(643,199)
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total profit/(loss) and total comprehensive income/(loss) for the financial year		<u><u>3,888,340</u></u>	<u><u>4,275,310</u></u>	<u><u>2,017,915</u></u>	<u><u>(643,199)</u></u>
Earnings per share attributable to owners of the Company	22				
- Basic (sen)		<u>1.75</u>	<u>1.99</u>		
- Diluted (sen)		<u>-</u>	<u>-</u>		

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

# STATEMENTS OF CHANGES IN EQUITY

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	← Attributable to owners of the Company →		
		Non-distributable	Distributable	Total
		Share <u>capital</u> RM	Retained <u>earnings</u> RM	<u>equity</u> RM
<b>Group</b>				
Balance at 1 January 2019		27,459,485	20,735,614	48,195,099
Total comprehensive income for the financial year		-	4,275,310	4,275,310
Balance at 31 December 2019		27,459,485	25,010,924	52,470,409
<b>Transactions with owners:-</b>				
Issuance of shares (net of shares issuance expenses)	10	4,361,474	-	4,361,474
- Dividends	23	-	(2,362,139)	(2,362,139)
Total transactions with owners		4,361,474	(2,362,139)	1,999,335
Total comprehensive income for the financial year		-	3,888,340	3,888,340
Balance at 31 December 2020		31,820,959	26,537,125	58,358,084

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	<u>Note</u>	← Attributable to owners of the Company →		
		Non-distributable	Distributable	Total
		Share <u>capital</u> RM	Retained <u>earnings</u> RM	<u>equity</u> RM
<b>Company</b>				
Balance at 1 January 2019		27,459,485	1,042,105	28,501,590
Total comprehensive income for the financial year		-	(643,199)	(643,199)
Balance at 31 December 2019		27,459,485	398,906	27,858,391
<b>Transactions with owners:-</b>				
Issuance of shares (net of shares issuance expenses)	10	4,361,474	-	4,361,474
- Dividends	23	-	(2,362,139)	(2,362,139)
Total transactions with owners		4,361,474	(2,362,139)	1,999,335
Total comprehensive income for the financial year		-	2,017,915	2,017,915
Balance at 31 December 2020		31,820,959	54,682	31,875,641

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



# STATEMENTS OF CASH FLOWS

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020	2019	2020	2019
		RM	RM	RM	RM
<b>OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		5,437,186	5,708,106	2,023,676	(643,199)
<b>Adjustments for:-</b>					
Bad debts written off		-	140,018	-	-
Depreciation of property, plant and equipment		1,980,723	1,983,229	-	-
Dividend income		-	-	(3,187,000)	-
Gain on disposal of property, plant and equipment		(152,729)	-	-	-
Allowance for expected credit losses		-	5,212	-	-
Interest expenses		268,674	522,693	-	-
Interest income		(359,625)	(142,019)	(24,010)	(3,600)
Inventories written down		147	522,502	-	-
Property, plant and equipment written off		129	-	-	-
Remeasurement of lease contracts		(402)	-	-	-
Reversal of expected credit losses		(31,068)	-	-	-
Reversal of inventories written down		(489,849)	(111,768)	-	-
Unrealised gain on foreign exchange		59,300	(28,428)	-	-
Operating profit/(loss) before working capital changes		6,712,486	8,599,545	(1,187,334)	(646,799)
Changes in working capital:-					
Inventories		5,007,193	10,517,896	-	-
Receivables		3,058,187	(2,995,377)	(1,080,000)	-
Payables		(1,896,705)	(2,714,565)	428,808	258,293
Bills payables		(1,788,000)	(1,106,397)	-	-
Cash generated from/(used in) operations		11,093,161	12,301,102	(1,838,526)	(388,506)
Tax paid		(1,589,690)	(1,826,937)	(4,397)	(709)
Tax refunded		-	171,113	-	3,182
Interest paid		(78,686)	(219,129)	-	-
Interest received		359,625	142,019	24,010	3,600
Net cash from/(used in) operating activities		9,784,410	10,568,168	(1,818,913)	(382,433)
<b>INVESTING ACTIVITIES</b>					
Dividend received		-	-	3,187,000	-
(Advances to)/Repayment from a subsidiary		-	-	(1,972)	802,005
Purchase of property, plant and equipment	A	(309,863)	(22,126)	-	-
Proceeds from disposal of property, plant and equipment		214,000	-	-	-
Net cash (used in)/from investing activities		(95,863)	(22,126)	3,185,028	802,005

# STATEMENTS OF CASH FLOWS (CONT'D)

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	<u>Note</u>	<b>Group</b>		<b>Company</b>	
		<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
<b>FINANCING ACTIVITIES</b>					
Dividend paid		(2,362,139)	-	(2,362,139)	-
Interest paid		(189,988)	(303,564)	-	-
Proceeds from issue of share capital, net of shares issuance expenses		4,361,474	-	4,361,474	-
Net (repayment)/drawdown of revolving credits	<b>B</b>	(700,000)	3,348,708	-	-
Repayment of lease liabilities	<b>B</b>	(686,710)	(576,571)	-	-
Repayment of structured commodity financing	<b>B</b>	-	(3,322,303)	-	-
Repayment of term loans	<b>B</b>	(550,029)	(521,850)	-	-
Net cash (used in)/from financing activities		(127,392)	(1,375,580)	1,999,335	-
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		9,561,155	9,170,462	3,365,450	419,572
Effect of exchange rate changes		(23,036)	9,813	-	-
Brought forward		14,775,129	5,594,854	431,788	12,216
Carried forward		24,313,248	14,775,129	3,797,238	431,788

### NOTES TO THE STATEMENTS OF CASH FLOWS

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

	<b>Group</b>		<b>Company</b>	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Total purchases of property, plant and equipment	764,398	107,126	-	-
Less: Acquisition by means of lease liabilities	(454,535)	(85,000)	-	-
Total cash used in purchase of property, plant and equipment	309,863	22,126	-	-

# STATEMENTS OF CASH FLOWS (CONT'D)

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

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

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

##### Group

	<u>Lease liabilities</u> RM	<u>Loans and borrowings*</u> RM	<u>Total</u> RM
Balance at 1 January 2019	2,218,080	4,408,716	6,626,796
Lease liabilities recognised	85,000	-	85,000
Drawdown	-	3,348,708	3,348,708
Repayment	(576,571)	(3,844,153)	(4,420,724)
Balance at 31 December 2019	1,726,509	3,913,271	5,639,780
Lease liabilities recognised	454,535	-	454,535
Remeasurement	(8,171)	-	(8,171)
Repayment	(686,710)	(1,250,029)	1,936,739
Balance at 31 December 2020	1,486,163	2,663,242	4,149,405

\* Excluded bills payables

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2020

### 1. GENERAL INFORMATION

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

The Company is principally engaged in investment holding activities.

The principal activities of its subsidiaries are disclosed in Note 5 to the Financial Statements. There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 22 April 2021.

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

#### 2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

#### 2.2 Basis of measurement

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

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

#### 2.3 Functional and presentation currency

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

#### 2.4 MFRSs

##### 2.4.1 Adoption of new or revised MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the prior financial year except for the revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the revised MFRSs and interpretations has no material impact on financial statements of the Group and of the Company.

Several other amendments are effective for the first time in financial year ended 31 December 2020. However, they do not have any impact the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 2.4 MFRSs (cont'd)

#### 2.4.2 Standards issued but not yet effective

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

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

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

### 2.5 Significant accounting estimates and judgements

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

#### 2.5.1 Estimation uncertainty

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

##### Useful lives of depreciable assets

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

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

The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 4 to the Financial Statements.

##### Impairment of non-financial assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

#### 2.5.1 Estimation uncertainty (cont'd)

##### **Inventories**

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

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

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

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

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 6 to the Financial Statements.

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

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

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

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

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

The carrying amount of the Group's and the Company's receivables at the end of the reporting year is disclosed in Notes 7 and 8 to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

#### 2.5.1 Estimation uncertainty (cont'd)

##### Income tax

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

##### Leases

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

#### 2.5.2 Significant management judgement

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

##### Leases

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

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

##### Determining the lease term of contracts with renewal options

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain not to be exercised.

The Group has lease contract that include extension option. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group included the renewal period as part of the lease term for lease. The Group typically exercises its option to renew for the lease.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group or the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affects the investee's returns.

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

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

#### 3.1.2 Basis of consolidation

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

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.14 of the Financial Statements.

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

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



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.1 Consolidation (cont'd)

#### 3.1.3 Business combination

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

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

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

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

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

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

#### 3.1.4 Loss of control

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.1 Consolidation (cont'd)

### 3.2 Foreign currency translation

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

#### 3.2.1 Foreign currency transactions and balances

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

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

### 3.3 Property, plant and equipment

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

### 3.4 Inventories

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

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

Cost of finished goods comprises direct labour, other direct costs and appropriate proportions of production overheads based on normal operating capacity.

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

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

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

### 3.5 Leases

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

#### 3.5.1 Group as a lessee

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.5 Leases (cont'd)

#### 3.5.2 Right-of-use assets

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

- |                  |         |
|------------------|---------|
| • Factory        | 9 years |
| • Hostel         | 2 years |
| • Motor vehicles | 5 years |

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.7 Impairment of non-financial assets.

#### 3.5.3 Lease liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.6 Impairment of non-financial assets

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

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

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

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

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

### 3.7 Financial instruments

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

#### 3.7.1 Financial assets

##### 3.7.1.1 Initial recognition and categorisation

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.7 Financial instruments (cont'd)

#### 3.7.1 Financial assets (cont'd)

##### 3.7.1.1 Initial recognition and categorisation (cont'd)

###### Financial assets at amortised cost

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

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

##### 3.7.1.2 Subsequent measurement

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

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

##### 3.7.2 Impairment of financial assets

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

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

ECLs are measured on either of the following bases:-

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.7 Financial instruments (cont'd)

#### 3.7.2 Impairment of financial assets (cont'd)

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

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

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

#### 3.7.3 Financial liabilities

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

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

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

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

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

##### Financial guarantee contracts

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.7 Financial instruments (cont'd)

#### 3.7.4 Derecognition

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

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

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

#### 3.7.5 Offsetting of financial instruments

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

### 3.8 Cash and cash equivalents

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

### 3.9 Equity, reserves and distribution to owners

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

Retained earnings include all current and prior years' retained profits.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.10 Provisions

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

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

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

### 3.11 Revenue recognition

#### 3.11.1 Revenue from contracts with customers

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.11 Revenue recognition (cont'd)

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

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

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

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

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

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

#### Sales of goods

All revenue is recognised at a point in time, which is typically on delivery of the goods. Goods are sold when the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and taxes. The Group shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 16 to the Financial Statements.

#### 3.11.2 Revenue from other source

#### Interest income

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.12 Employee benefits

#### 3.12.1 Short term employee benefits

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

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

#### 3.12.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

### 3.13 Borrowing costs

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

### 3.14 Tax expense

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

#### 3.14.1 Current tax

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

#### 3.14.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.14 Tax expense (cont'd)

#### 3.14.2 Deferred tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 3.14.3 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:-

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

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

### 3.15 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 27 to the Financial Statements.

### 3.16 Contingencies

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### 3.17 Related parties

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

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

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

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

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

### 3.18 Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Computer equipment RM	Furniture and fittings RM	Air - conditioners RM	Renovation RM	Laboratory RM	Factory RM	Hostel RM	Total RM
<b>Cost</b>													
At 1 January 2019	1,467,419	10,717,988	2,125,697	9,234,509	200,285	77,825	115,200	94,403	217,430	587,317	1,251,626	81,348	26,171,047
Additions	-	-	98,000	-	-	-	-	-	-	9,126	-	-	107,126
At 31 December 2019	1,467,419	10,717,988	2,223,697	9,234,509	200,285	77,825	115,200	94,403	217,430	596,443	1,251,626	81,348	26,278,173
Additions	-	-	535,938	7,500	-	6,417	-	-	140,008	-	-	74,535	764,398
Disposals	-	-	(545,136)	-	-	-	-	-	-	-	-	-	(545,136)
Written off	-	-	-	-	(23,400)	-	-	(2,215)	-	-	-	-	(25,615)
Remeasurement of lease contracts	-	-	-	-	-	-	-	-	-	-	-	(81,348)	(81,348)
At 31 December 2020	1,467,419	10,717,988	2,214,499	9,242,009	176,885	84,242	115,200	92,188	357,438	596,443	1,251,626	74,535	26,390,472
<b>Accumulated depreciation</b>													
At 1 January 2019	-	1,139,374	618,504	4,561,158	138,531	67,067	67,144	75,751	82,905	409,773	486,743	17,493	7,664,443
Charge for the financial year	-	214,360	529,028	930,551	17,128	4,408	13,688	7,226	31,489	59,492	139,070	36,789	1,983,229
At 31 December 2019	-	1,353,734	1,147,532	5,491,709	155,659	71,475	80,832	82,977	114,394	469,265	625,813	54,282	9,647,672
Charge for the financial year	-	214,360	524,755	930,799	17,130	5,613	11,520	9,129	31,680	59,644	139,070	37,023	1,980,723
Disposals	-	-	(483,865)	-	-	-	-	-	-	-	-	-	(483,865)
Written off	-	-	-	-	(23,400)	-	-	(2,086)	-	-	-	-	(25,486)
Remeasurement of lease contracts	-	-	-	-	-	-	-	-	-	-	-	(73,579)	(73,579)
At 31 December 2020	-	1,568,094	1,188,422	6,422,508	149,389	77,088	92,352	90,020	146,074	528,909	764,883	17,726	11,045,465
<b>Net carrying amount</b>													
At 31 December 2020	1,467,419	9,149,894	1,026,077	2,819,501	27,496	7,154	22,848	2,168	211,364	67,534	486,743	56,809	15,345,007
At 31 December 2019	1,467,419	9,364,254	1,076,165	3,742,800	44,626	6,350	34,368	11,426	103,036	127,178	625,813	27,066	16,630,501

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### Assets pledged as securities to financial institutions

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

	<u>2020</u> RM	<b>Group</b> <u>2019</u> RM
Freehold land	1,467,419	1,467,419
Buildings	9,149,894	9,364,254
	<u>10,617,313</u>	<u>10,831,673</u>

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

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

	<u>2020</u> RM	<b>Group</b> <u>2019</u> RM
Motor vehicles	991,492	1,009,281
Factory	486,743	625,813
Hostels	56,809	27,066

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

Additions to right-of-use assets of the Group during the financial year amounted to RM610,473 (2019: RM98,000).

Depreciation charge of right-of-use assets is as follows:-

	<u>2020</u> RM	<b>Group</b> <u>2019</u> RM
Motor vehicles	505,056	506,523
Factory	139,070	139,070
Hostels	37,023	36,789

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. SUBSIDIARIES

### Investment in subsidiaries

	<b>Company</b>	
	<u>2020</u>	<u>2019</u>
	RM	RM
Unquoted shares, at cost	<u>27,825,900</u>	<u>27,825,900</u>

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

<u>Name of companies</u>	<u>Effective ownership interest and voting interest</u>		<u>Principal activities</u>	<u>Principal place of business/ country of incorporation</u>
	<u>% 2020</u>	<u>% 2019</u>		
1. Plon Synergy Group Sdn. Bhd.	100	100	Investment holding company	Malaysia
2. PeterLabs Sdn. Bhd.	81	81	Trading of animal health and nutrition products	Malaysia
<b>Subsidiaries of Plon Synergy Group Sdn. Bhd.</b>				
1. OMS Resources Sdn. Bhd.	100	100	Trading of animal health and nutrition products	Malaysia
2. PeterLabs Sdn. Bhd.	19	19	Trading of animal health and nutrition products	Malaysia
3. Osmosis Nutrition Sdn. Bhd.	21	21	Manufacturing and distribution of animal health and nutrition products	Malaysia
<b>Subsidiary of PeterLabs Sdn. Bhd.</b>				
1. Osmosis Nutrition Sdn. Bhd.	79	79	Manufacturing and distribution of animal health and nutrition products	Malaysia

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

### (b) Amount due from a subsidiary

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



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. INVENTORIES

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Raw materials	2,290,939	2,154,500
Finished goods	1,437,294	4,829,053
Trading goods	6,303,840	7,566,011
	<u>10,032,073</u>	<u>14,549,564</u>
<b>Recognised in profit or loss:-</b>		
Inventories recognised in cost of sales	59,509,632	72,914,541
Inventories written down	147	522,502
Reversal of inventories written down	<u>(489,849)</u>	<u>(111,768)</u>

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

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

## 7. TRADE RECEIVABLES

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Trade receivables	21,801,126	26,510,332
Less: Allowance for expected credit losses	<u>(131,714)</u>	<u>(162,782)</u>
	<u>21,669,412</u>	<u>26,347,550</u>

(a) The trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition. The normal credit terms granted to the customers ranged from 30 to 90 days (2019: 30 to 90 days). Other credit terms are assessed and approved by the management on case-by-case basis.

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

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Chinese Yuan ("CNY")	<u>-</u>	<u>165,675</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 7. TRADE RECEIVABLES (CONT'D)

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

### Group

	Days past due					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	RM	RM	RM	RM	RM	RM
<u>2020</u>						
Expected credit losses rate	0.51950%	0.63001%	0.83998%	1.05002%	1.25995%	
Estimated total gross carrying amount	15,187,623	3,543,612	1,474,074	951,984	643,833	21,801,126
Expected credit losses	78,899	22,325	12,382	9,996	8,112	131,714

	Days past due					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	RM	RM	RM	RM	RM	RM
<u>2019</u>						
Expected credit losses rate	0.51955%	0.63000%	0.84001%	1.04994%	1.13645%	
Estimated total gross carrying amount	19,148,405	2,547,917	2,267,943	856,336	1,689,731	26,510,332
Expected credit losses	99,485	16,052	19,051	8,991	19,203	162,782

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

	Group	
	<u>2020</u>	<u>2019</u>
	RM	RM
Loss allowance as at 1 January	162,782	157,570
Loss allowance recognised during the financial year	-	5,212
Reversal during the financial year	(31,068)	-
Loss allowance as at 31 December	<u>131,714</u>	<u>162,782</u>

(e) Information on financial risk of trade receivables is disclosed in Note 28 to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. OTHER RECEIVABLES

	<b>Group</b>	
	<u>2020</u> RM	<u>2019</u> RM
Advances to suppliers	566,491	50,996
Deposits*	1,182,732	101,232
GST receivable	-	11,354
Non-trade receivables	117,152	10,453
Prepayments	166,689	215,985
	<u>2,033,064</u>	<u>390,020</u>

	<b>Company</b>	
	<u>2020</u> RM	<u>2019</u> RM
Deposits*	1,081,000	1,000
Prepayments	10,208	10,208
	<u>1,091,208</u>	<u>11,208</u>

\*Included in the deposits is an amount of RM1,080,000 (2019: Nil) paid as deposit for acquisition of subsidiary disclosed in Note 32(b).

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

	<b>Group</b>	
	<u>2020</u> RM	<u>2019</u> RM
Chinese Yuan ("CNY")	140,381	-
EURO Dollar ("EUR")	168,264	49,662
US Dollar ("USD")	359,413	440

## 9. CASH AND BANK BALANCES

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

	<b>Group</b>	
	<u>2020</u> RM	<u>2019</u> RM
CNY	13,391	-
USD	240,372	91,977

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 10. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares Unit	Amount RM
<b>Issued and fully paid with no par value:-</b>		
At 1 January 2019/31 December 2019	214,739,900	27,459,485
Issued during the financial year	21,473,990	4,361,474*
At 31 December 2020	236,213,890	31,820,959

\*Net of share issuance expenses of RM62,168.

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

## 11. LEASE LIABILITIES

### Group

	Less than one year RM	Two to five years RM	More than five years RM	Total RM
2020				
Future minimum lease payments	555,036	1,040,347	10,630	1,606,013
Less: Interest	(59,159)	(60,511)	(180)	(119,850)
Present value of minimum lease payments	495,877	979,836	10,450	1,486,163
2019				
Future minimum lease payments	664,736	1,210,916	10,630	1,886,282
Less: Interest	(71,799)	(87,794)	(180)	(159,773)
Present value of minimum lease payments	592,937	1,123,122	10,450	1,726,509

The effective interest rates of lease facilities ranged from 4.09% to 6.25% (2019: 4.51% to 6.25%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 11. LEASE LIABILITIES (CONT'D)

Set out below are the carrying amounts of lease liabilities and the movements during the year:-

	<b>Group</b>	
	<u>2020</u>	<u>2019</u>
	RM	RM
As at 1 January	1,726,509	2,218,080
Additions	454,535	85,000
Accretion of interest	82,360	99,240
Payments	(777,241)	(675,811)
As at 31 December	<u>1,486,163</u>	<u>1,726,509</u>

## 12. BORROWINGS

	<b>Group</b>	
	<u>2020</u>	<u>2019</u>
	RM	RM
<b>Non-current</b>		
Secured:-		
Term loan	<u>-</u>	<u>15,761</u>
<b>Current</b>		
Secured:-		
Bankers' acceptance	1,106,000	2,894,000
Revolving credit	2,648,708	3,348,708
Term loan	<u>14,534</u>	<u>548,802</u>
	<u>3,769,242</u>	<u>6,791,510</u>
Total	<u>3,769,242</u>	<u>6,807,271</u>

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

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

The term loan bears interest at rates ranging from 4.40% to 4.88% (2019: 4.89% to 5.14%) per annum and is repayable by 335 (2019: 335) equal monthly instalments commencing after the full release of the loan.

The bankers' acceptance bears interest at rates ranging from 2.46% to 4.29% (2019: 4.09% to 4.56%) per annum and is repayable upon the maturity date within 120 (2019: 120) days.

The revolving credit bears interest at rates ranging from 2.93% to 4.07% (2019: 4.35% to 4.62%) per annum and is repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. DEFERRED TAX LIABILITIES

	<u>2020</u> RM	<u>Group</u> <u>2019</u> RM
At 1 January	350,000	440,000
Recognised from profit or loss	<u>290,000</u>	<u>(90,000)</u>
At 31 December	<u>640,000</u>	<u>350,000</u>

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

	<u>2020</u> RM	<u>Group</u> <u>2019</u> RM
Property, plant and equipment	1,097,000	1,151,000
Unutilised capital allowances	-	(264,000)
Unutilised reinvestment allowances	(424,000)	(511,000)
Others	<u>(33,000)</u>	<u>(26,000)</u>
	<u>640,000</u>	<u>350,000</u>

## 14. TRADE PAYABLES

The trade payables are non-interest bearing and the normal credit terms granted by the trade payables ranged from cash term from 30 to 90 days (2019: 30 to 90 days).

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

	<u>2020</u> RM	<u>Group</u> <u>2019</u> RM
EURO Dollar ("EUR")	437,756	-
Singapore Dollar ("SGD")	-	83,044
Thai Baht ("THB")	15,706	23,486
US Dollar ("USD")	<u>1,017,831</u>	<u>1,891,596</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 15. OTHER PAYABLES

	<b>Group</b>	
	<u>2020</u> RM	<u>2019</u> RM
Accruals of expenses	4,041,279	3,513,970
Commission payable	1,247,462	1,376,317
Non-trade payables	<u>462,916</u>	<u>302,025</u>
	<u>5,751,657</u>	<u>5,192,312</u>
	<b>Company</b>	
	<u>2020</u> RM	<u>2019</u> RM
Non-trade payables	14,655	6,678
Accruals of expenses	<u>825,515</u>	<u>404,684</u>
	<u>840,170</u>	<u>411,362</u>

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

	<b>Group</b>	
	<u>2020</u> RM	<u>2019</u> RM
Singapore Dollar ("SGD")	7,569	703
US Dollar ("USD")	<u>45,203</u>	<u>8,493</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 16. REVENUE

### Group

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

	Manufacturing RM	Trading RM	Total RM
<u>2020</u>			
<b>Geographical market</b>			
Bangladesh	1,089,582	-	1,089,582
China	1,295,465	-	1,295,465
Philippines	1,501,640	-	1,501,640
Taiwan	446,081	-	446,081
Malaysia	417,138	74,614,604	75,031,742
Others	360,219	300,908	661,127
	<u>5,110,125</u>	<u>74,915,512</u>	<u>80,025,637</u>
<u>2019</u>			
<b>Geographical market</b>			
Bangladesh	493,099	-	493,099
China	1,411,762	-	1,411,762
Korea	40,214	-	40,214
Nepal	353,132	-	353,132
Philippines	233,022	-	233,022
Malaysia	606,736	92,280,023	92,886,759
Others	333,344	482,597	815,941
	<u>3,471,309</u>	<u>92,762,620</u>	<u>96,233,929</u>

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

	Manufacturing RM	Trading RM	Total RM
<u>2020</u>			
Goods transferred at a point in time	<u>5,110,125</u>	<u>74,915,512</u>	<u>80,025,637</u>
<u>2019</u>			
Goods transferred at a point in time	<u>3,471,309</u>	<u>92,762,620</u>	<u>96,233,929</u>

### Company

Revenue represents dividend income.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 17. OTHER INCOME

	Group		Company	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Bad debts recovered	1,800	1,500	-	-
Gain on disposal of property, plant and equipment	152,729	-	-	-
Reversal of expected credit losses	31,068	-	-	-
Interest income	359,625	142,019	24,010	3,600
Reversal of inventories written down	489,849	111,768	-	-
Realised gain on foreign exchange	13,008	-	-	-
Unrealised gain on foreign exchange	-	28,428	-	-
Gain on remeasurement of lease contracts	402	-	-	-

## 18. OTHER EXPENSES

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Bad debts written off	-	140,018
Allowance for expected credit losses	-	5,212
Inventories written down	147	522,502
Property, plant and equipment written off	129	-
Realised loss on foreign exchange	207,638	134,310
Unrealised loss on foreign exchange	59,300	-

## 19. FINANCE COSTS

	Group	
	<u>2020</u> RM	<u>2019</u> RM
Bankers' acceptance interest	78,686	219,129
Lease liabilities interest	82,360	99,240
Term loan interest	14,199	68,502
Revolving credits interest	93,429	135,822

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 20. PROFIT/(LOSS) BEFORE TAX

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

	<b>Group</b>		<b>Company</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Non-statutory audit fee	22,400	24,100	7,600	7,600
Depreciation	1,980,723	1,983,229	-	-
Directors' remuneration				
- fee	127,000	128,400	127,000	128,400
- other emoluments	<u>2,152,859</u>	<u>3,149,120</u>	<u>-</u>	<u>-</u>

## 21. TAX EXPENSE

	<b>Group</b>		<b>Company</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Malaysian income tax:-				
Current tax				
- current year	1,215,778	1,725,503	5,761	-
- under/(over) provision in prior year	<u>43,068</u>	<u>(202,707)</u>	<u>-</u>	<u>-</u>
Total current tax recognised in profit or loss	<u>1,258,846</u>	<u>1,522,796</u>	<u>5,761</u>	<u>-</u>
Deferred tax				
- origination and reversal of temporary differences	349,000	(67,000)	-	-
- over provision in prior year	<u>(59,000)</u>	<u>(23,000)</u>	<u>-</u>	<u>-</u>
Total deferred tax recognised in profit or loss	<u>290,000</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>
Total tax expense	<u>1,548,846</u>	<u>1,432,796</u>	<u>5,761</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 21. TAX EXPENSE (CONT'D)

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

	<b>Group</b>		<b>Company</b>	
	<u>2020</u> RM	<u>2019</u> RM	<u>2020</u> RM	<u>2019</u> RM
Profit/(Loss) before tax	<u>5,437,186</u>	<u>5,708,106</u>	<u>2,023,676</u>	<u>(643,199)</u>
Tax at Malaysian statutory tax rate of 24%	1,304,925	1,369,945	485,682	(154,368)
Tax effects in respect of:-				
Expenses not deductible for tax	655,889	801,537	284,959	154,368
Deferred tax over recognised in prior year	(59,000)	(23,000)	-	-
Income not subject to tax	(396,036)	(512,979)	(764,880)	-
Under/(Over) provision of tax expense in prior year	<u>43,068</u>	<u>(202,707)</u>	<u>-</u>	<u>-</u>
Total tax expense/(income)	<u>1,548,846</u>	<u>1,432,796</u>	<u>5,761</u>	<u>-</u>

The Group's unutilised reinvestment allowances and unutilised capital allowance which can be carried forward to offset against future taxable profit amounted to approximately RM1,765,000 (2019: RM2,129,000) and RMNil (2019: RM1,100,000) respectively.

## 22. EARNINGS PER SHARE

### Group

#### Basic earnings per ordinary share

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

	<b>Group</b>	
	<u>2020</u> RM	<u>2019</u> RM
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	<u>3,888,340</u>	<u>4,275,310</u>
Weighted average number of ordinary shares at 31 December	<u>222,329,337</u>	<u>214,739,900</u>
Basic earnings per share (sen)	<u>1.75</u>	<u>1.99</u>

#### Diluted earnings per ordinary share

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 23. DIVIDENDS

**Group and Company**  
2020                      2019  
RM                              RM

**In respect of the financial year ended 31 December 2020:-**

Single tier interim dividend of RM0.01 per ordinary share  
totalling RM2,362,139 declared on 17 September 2020 and paid on  
7 October 2020

2,362,139                      -

## 24. EMPLOYEE BENEFITS EXPENSE

	<b>Group</b>		<b>Company</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Salaries, wages and other emoluments	7,559,880	7,458,147	127,000	128,400
Social security contributions	56,836	56,971	-	-
Defined contribution plan	646,151	799,753	-	-
	<u>8,262,867</u>	<u>8,314,871</u>	<u>127,000</u>	<u>128,400</u>

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

	<b>Group</b>		<b>Company</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
<b>Executive Directors:-</b>				
<u>Directors of the Company</u>				
Salaries and other emoluments	1,208,014	1,670,777	-	-
Bonus	550,500	810,128	-	-
Defined contribution plans	110,420	247,944	-	-
Total Executive Directors' remuneration	<u>1,868,934</u>	<u>2,728,849</u>	<u>-</u>	<u>-</u>

**Executive Directors:-**  
Directors of the subsidiaries

Salaries and other emoluments	217,833	353,149	-	-
Bonus	53,500	32,382	-	-
Defined contribution plans	12,592	34,740	-	-
Total Executive Directors' remuneration	<u>283,925</u>	<u>420,271</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

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

	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
<b>Non-Executive Directors:-</b>				
<u>Existing Directors of the Company</u>				
Fees	<u>127,000</u>	<u>128,400</u>	<u>127,000</u>	<u>128,400</u>
<u>Other additional disclosures</u>				
Insurance premium paid for indemnity coverage and insurance effected for Directors	17,500	17,500	17,500	17,500
Indemnity coverage	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>

## 25. CONTINGENT LIABILITY

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

	Company	
	<u>2020</u>	<u>2019</u>
	RM	RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries		
- Utilised	3,769,242	6,807,271
- Limit	<u>21,897,000</u>	<u>21,897,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 26. RELATED PARTY DISCLOSURES

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

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are as follows:-

#### Transaction with certain Directors

	<b>Group and Company</b>	
	<u>2020</u>	<u>2019</u>
	RM	RM
Professional fee charged by companies in which Directors have interest	<u>11,770</u>	<u>22,995</u>

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 5 to the Financial Statements.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

The Group and the Company have no other members of key management personnel other than the Board of Directors. Remuneration of key management personnel is disclosed as Directors' remuneration in Notes 20 and 24 to the Financial Statements.

### 27. OPERATING SEGMENTS

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

Manufacturing : Manufacturing and distribution of animal health and nutrition products

Trading : Trading and distribution of animal health and nutrition products

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. OPERATING SEGMENTS (CONT'D)

	Note	<u>Manufacturing</u> RM	<u>Trading</u> RM	<u>Others</u> RM	<u>Adjustments and eliminations</u> RM	<u>Total</u> RM
<b>2020</b>						
<b><u>Revenue</u></b>						
External revenue		5,110,125	74,915,512	-	-	80,025,637
Inter-segment revenue	<b>A</b>	25,006,084	4,113,508	-	(29,119,592)	-
Total revenue		30,116,209	79,029,020	-	(29,119,592)	80,025,637
<b><u>Results</u></b>						
Interest income		21,803	303,573	34,249	-	359,625
Finance costs		(196,399)	(72,275)	-	-	(268,674)
Depreciation		(1,551,727)	(428,996)	-	-	(1,980,723)
Other non-cash income	<b>B</b>	86,679	527,793	-	-	614,472
Tax expense		(409,740)	(1,130,888)	(8,218)	-	(1,548,846)
Segment profit	<b>C</b>	1,204,236	3,855,596	2,451,723	(3,714,166)	3,797,389
<b><u>Assets</u></b>						
Additions to non-current assets other than financial instruments and deferred tax assets	<b>D</b>	461,311	303,087	-	-	764,398
Segment assets	<b>E</b>	18,637,270	48,313,235	6,492,573	(50,274)	73,392,804
<b><u>Liabilities</u></b>						
Segment liabilities	<b>F</b>	1,805,482	6,524,656	844,074	-	9,174,212

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. OPERATING SEGMENTS (CONT'D)

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
<b>2019</b>						
<b>Revenue</b>						
External revenue		24,765,120	71,468,809	-	-	96,233,929
Inter-segment revenue	<b>A</b>	9,888,724	31,182,535	-	(41,071,259)	-
Total revenue		34,653,844	102,651,344	-	(41,071,259)	96,233,929
<b>Results</b>						
Interest income		20,253	118,166	3,600	-	142,019
Finance costs		(356,192)	(166,501)	-	-	(522,693)
Depreciation		(1,504,157)	(479,072)	-	-	(1,983,229)
Other non-cash income	<b>B</b>	(6,240)	(521,296)	-	-	(527,536)
Tax income/(expense)		54,380	(1,485,305)	(1,871)	-	(1,432,796)
Segment profit	<b>C</b>	222,400	5,131,577	(27,254)	(670,739)	4,655,984
<b>Assets</b>						
Additions to non-current assets other than financial instruments and deferred tax assets	<b>D</b>	9,126	98,000	-	-	107,126
Segment assets	<b>E</b>	22,630,628	47,514,446	2,583,798	(36,108)	72,692,764
<b>Liabilities</b>						
Segment liabilities	<b>F</b>	2,752,376	7,870,910	419,563	(221)	11,042,628

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

A. Intersegment revenues are eliminated on consolidation.



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. OPERATING SEGMENTS (CONT'D)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-  
(cont'd)

- B. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the financial statements:-

	<u>2020</u> RM	<u>2019</u> RM
Bad debts written off	-	(140,018)
Inventories written down	(147)	(522,502)
Provision for expected credit losses	-	(5,212)
Gain on disposal of property, plant and equipment	152,729	-
Property, plant and equipment written off	(129)	-
Remeasurement of lease contracts	402	-
Reversal of expected credit losses	31,068	-
Reversal of inventories written down	489,849	111,768
Unrealised (loss)/gain on foreign exchange	(59,300)	28,428
	<u>614,472</u>	<u>(527,536)</u>

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

	<u>2020</u> RM	<u>2019</u> RM
Segment profit	3,797,389	4,655,984
Interest income	359,625	142,019
Finance costs	(268,674)	(522,693)
Profit after tax	<u>3,888,340</u>	<u>4,275,310</u>

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

	<u>2020</u> RM	<u>2019</u> RM
Property, plant and equipment	<u>764,398</u>	<u>107,126</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. OPERATING SEGMENTS (CONT'D)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-  
(cont'd)

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

	<u>2020</u> RM	<u>2019</u> RM
Segment assets	73,392,804	72,692,764
Tax recoverable	35,552	38,739
	<hr/>	<hr/>
Total assets	<u>73,428,356</u>	<u>72,731,503</u>

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

	<u>2020</u> RM	<u>2019</u> RM
Segment liabilities	9,174,212	11,042,628
Deferred tax liabilities	640,000	350,000
Lease liabilities	1,486,163	1,726,509
Borrowings	3,769,242	6,807,271
Tax payable	655	334,686
	<hr/>	<hr/>
Total liabilities	<u>15,070,272</u>	<u>20,261,094</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 27. OPERATING SEGMENTS (CONT'D)

### Geographical segment

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

	<b>Group</b>	
	<u>2020</u> RM	<u>2019</u> RM
<u>Non-current assets</u>		
Malaysia	<u>15,345,007</u>	<u>16,630,501</u>

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

	<u>2019</u> RM	<u>2018</u> RM
Property, plant and equipment	<u>15,345,007</u>	<u>16,630,501</u>

Revenue information based on the geographical location of the customers are disclosed in Note 16 to the Financial Statements.

### Major Customer

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS

### Categories of financial instruments

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

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

Group	Carrying amount RM	FA RM	OFL RM
<b>2020</b>			
<u>Financial assets</u>			
Trade receivables	21,669,412	21,669,412	-
Other receivables	1,299,884	1,299,884	-
Cash and bank balances	24,313,248	24,313,248	-
	<u>47,282,544</u>	<u>47,282,544</u>	<u>-</u>
<u>Financial liabilities</u>			
Trade payables	3,422,555	-	3,422,555
Other payables	5,751,657	-	5,751,657
Borrowings	3,769,242	-	3,769,242
	<u>12,943,454</u>	<u>-</u>	<u>12,943,454</u>
<b>2019</b>			
<u>Financial assets</u>			
Trade receivables	26,347,550	26,347,550	-
Other receivables	111,685	111,685	-
Cash and bank balances	14,775,129	14,775,129	-
	<u>41,234,364</u>	<u>41,234,364</u>	<u>-</u>
<u>Financial liabilities</u>			
Trade payables	5,850,316	-	5,850,316
Other payables	5,192,312	-	5,192,312
Borrowings	6,807,271	-	6,807,271
	<u>17,849,899</u>	<u>-</u>	<u>17,849,899</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

Company	Carrying amount RM	FA RM	OFL RM
<b>2020</b>			
<u>Financial assets</u>			
Other receivables	1,081,000	1,081,000	-
Amount due from a subsidiary	2,120	2,120	-
Cash and bank balances	3,797,238	3,797,238	-
	<hr/> 4,880,358	<hr/> 4,880,358	<hr/> -
<u>Financial liability</u>			
Other payables	840,170	-	840,170
	<hr/> 840,170	<hr/> -	<hr/> 840,170
<b>2019</b>			
<u>Financial assets</u>			
Other receivables	1,000	1,000	-
Amount due from a subsidiary	148	148	-
Cash and bank balances	431,788	431,788	-
	<hr/> 432,936	<hr/> 432,936	<hr/> -
<u>Financial liability</u>			
Other payables	411,362	-	411,362
	<hr/> 411,362	<hr/> -	<hr/> 411,362

### Financial risk management

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its risks. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:-

#### (a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's exposure to credit risk is monitored on an ongoing basis. The credit risk is controlled by monitoring procedures. An internal credit review is conducted if the credit risk is material. The Group does not require collateral in respect of financial assets.

The areas where the Group and the Company are exposed to credit risk are as follows:-

#### Receivables

Receivables are monitored on an ongoing basis to mitigate risk of bad debts. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institution with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

Information regarding the Group's exposure to credit risk and ECLs for trade receivables is disclosed in Note 7 to the Financial Statements.

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

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

	<b>Group</b>	
	<u>2020</u>	<u>2019</u>
	RM	RM
<b>By country:-</b>		
Malaysia	21,669,412	26,181,875
China	-	165,675
	<u>21,669,412</u>	<u>26,347,550</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:- (cont'd)

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

The areas where the Group and the Company are exposed to credit risk are as follows:- (cont'd)

#### Receivables (cont'd)

##### Concentration of credit risk (cont'd)

In respect of the trade receivables, the Group is not subjected to significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics except that 18% (2019: 19%) of the Group's trade receivables were due from three (2019: three) major customers.

In respect of other receivables, the Group and the Company are not subjected to credit risk exposure to a single counterparty or a group of counterparties having similar risk characteristics.

The net carrying amount of receivables is considered a reasonable approximate of its fair value. The maximum exposure to credit risk is the carrying value of each class of receivables as disclosed in Notes 7 and 8 to the Financial Statements.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

#### Financial guarantee/Corporate guarantee

The maximum exposure to credit risk as disclosed in Note 25 to the Financial Statements represent the outstanding banking facilities of the subsidiaries as at end of the reporting year.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:- (cont'd)

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

The areas where the Group and the Company are exposed to credit risk are as follows:- (cont'd)

##### Amount due from a subsidiary

The Company provides unsecured advances to its subsidiary. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to a subsidiary is not recoverable.

##### Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, borrowings and lease liabilities. The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as follows:-



# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:- (cont'd)

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

The summary of the maturity profile based on contractual undiscounted repayment obligations are as follows:-

	Carrying amount RM	Total RM	Contractual undiscounted cash flows		
			Current On demand/ Within 1 year RM	Non-current 2 to 5 years RM	More than 5 years RM
<b>2020</b>					
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
Borrowings	3,769,242	4,237,295	4,237,295	-	-
Lease liabilities	1,486,163	1,606,013	555,036	1,040,347	10,630
Trade payables	3,422,555	3,422,555	3,422,555	-	-
Other payables	5,751,657	5,751,657	5,751,657	-	-
Total undiscounted financial liabilities	14,429,617	15,017,520	13,966,543	1,040,347	10,630
<b>Company</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	840,170	840,170	840,170	-	-
Total undiscounted financial liabilities	840,170	840,170	840,170	-	-
Corporate guarantee	-	3,769,242	3,769,242	-	-
<b>2019</b>					
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
Borrowings	6,807,271	6,822,762	6,806,936	15,826	-
Finance lease liabilities	1,726,509	1,886,282	664,736	1,210,916	10,630
Trade payables	5,850,316	5,850,316	5,850,316	-	-
Other payables	5,192,312	5,192,312	5,192,312	-	-
Total undiscounted financial liabilities	19,576,408	19,751,672	18,514,300	1,226,742	10,630

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:- (cont'd)

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

The summary of the maturity profile based on contractual undiscounted repayment obligations are as follows:- (cont'd)

	Carrying amount RM	Total RM	Contractual undiscounted cash flows		
			Current On demand/ Within 1 year RM	Non-current 2 to 5 years RM	More than 5 years RM
<b>2019 (cont'd)</b>					
<b>Company</b>					
<b>Non-derivative</b>					
<b>financial liabilities</b>					
Other payables	411,362	411,362	411,362	-	-
Total undiscounted financial liabilities	411,362	411,362	411,362	-	-
Corporate guarantee	-	6,807,271	6,807,271	-	-

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

#### (c) Interest rate risk

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

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

#### Interest rate sensitivity analysis

At 31 December 2020, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short-term placement is considered immaterial.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:- (cont'd)

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

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

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

	<b>Group</b>	
	<u>2020</u>	<u>2019</u>
	RM	RM
<b>Fixed rate instruments</b>		
<u>Financial liabilities</u>		
Bankers' acceptance	1,106,000	2,894,000
Lease liabilities	872,489	1,000,696
	<u>1,978,489</u>	<u>3,894,696</u>
<b>Floating rate instruments</b>		
<u>Financial liabilities</u>		
Term loan	14,534	564,563
Revolving credit	2,648,708	3,348,708
	<u>2,663,242</u>	<u>3,913,271</u>

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (2019: +/- 25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting year that are sensitive to changes in interest rates. All other variables are held constant.

	<b>Group</b>	
	<u>2020</u>	<u>2019</u>
	RM	RM
<u>Effect on profit for the year/Equity</u>		
+ 25bp (2019: + 25bp)	(6,658)	(9,783)
- 25bp (2019: - 25bp)	<u>6,658</u>	<u>9,783</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:- (cont'd)

#### (d) Foreign currency risk

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

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into RM at the closing rate:-

	<u>USD</u> RM	<u>EUR</u> RM	<u>SGD</u> RM	<u>THB</u> RM	<u>CNY</u> RM
<u>2020</u>					
Financial assets	599,785	168,264	-	-	153,772
Financial liabilities	(1,063,034)	(437,756)	(7,569)	(15,706)	-
Net exposure	<u>(463,249)</u>	<u>(269,492)</u>	<u>(7,569)</u>	<u>(15,706)</u>	<u>153,772</u>
<u>2019</u>					
Financial assets	92,417	49,662	-	-	165,675
Financial liabilities	(1,900,089)	-	(83,747)	(23,486)	-
Net exposure	<u>(1,807,672)</u>	<u>49,662</u>	<u>(83,747)</u>	<u>(23,486)</u>	<u>165,675</u>

#### Foreign currency sensitivity analysis

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

It assumes a +/- 1% (2019: +/- 1%) change of the RM/USD, RM/EUR, RM/SGD, RM/THB and RM/CNY exchange rate for the financial year end. These percentage has been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (cont'd)

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:- (cont'd)

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

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

If the RM had strengthened against the USD, EUR, SGD, THB and CNY by 1% (2019: 1%) then this would have had the following impact:-

	Effect on profit for the year				
	<u>USD</u> RM	<u>EUR</u> RM	<u>SGD</u> RM	<u>THB</u> RM	<u>CNY</u> RM
31 December 2020	(4,632)	(2,695)	(76)	(157)	1,538
31 December 2019	(18,077)	497	(837)	(235)	1,657

If RM had weakened against the USD, EUR, SGD, THB and CNY by 1% (2019: 1%) then the impact to profit for the year/equity would be the opposite effect.

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

## 29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

### Fair value hierarchy

No fair value hierarchy has been disclosed as the Group and the Company do not have financial instruments measured at fair value.

### Non-derivative financial liabilities

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

<b>Group</b>	<u>2020</u> %	<u>2019</u> %
Bankers' acceptance	2.46 – 4.29	4.09 – 4.56
Lease liabilities	4.09 – 6.25	4.51 – 6.25
Term loan	4.40 – 4.88	4.89 – 5.14
Revolving credit	<u>2.93 – 4.07</u>	<u>4.35 – 4.62</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 30. CAPITAL COMMITMENT

	<u>2020</u> %	<u>2019</u> %
<b>Group and Company</b>		
Contracted and not provided for:-		
Acquisition of a subsidiary		
- Cash	2,000,000	-
- Ordinary shares of the Company	<u>7,720,000</u>	<u>-</u>

## 31. CAPITAL MANAGEMENT

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

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

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

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

	<u>2020</u> RM	<u>2019</u> RM
<b>Group</b>		
Interest-bearing borrowings		
- Lease liabilities	872,489	1,000,696
- Bankers' acceptance	1,106,000	2,894,000
- Term loan	14,534	564,563
- Revolving credit	<u>2,648,708</u>	<u>3,348,708</u>
Total interest-bearing borrowings	<u>4,641,731</u>	<u>7,807,967</u>
Owners' equity	58,358,084	52,470,409
Gearing ratio	<u>0.08</u>	<u>0.15</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### 32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

- (a) 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 Group and the Company operate.

The Group and the Company have assessed that it has not been significantly affected by the COVID-19 pandemic for the financial year ended 31 December 2020. As at the date of authorisation of the financial statements, the scale and duration of the economic uncertainties arising from the COVID-19 pandemic, could not be reasonably estimated. The Group and the Company are closely monitoring the evolving situation of the COVID-19 pandemic and its related financial effects, if any, on the financial statements of the Group and the Company will be reflected in the annual financial statements for the financial year ending 31 December 2021.

The Malaysia Government has again imposed the Movement Control Order ("MCO") and Conditional Movement Control ("CMCO") for selected states which are severely affected by the novel coronavirus ("COVID-19 pandemic") on 11 January 2021. Besides, the Malaysia King declared state of emergency for the country until 1 August 2021 to curb the spread of Covid-19 on 12 January 2021.

The restrictions imposed have not, however, negatively impacted the Company's financial performance as our main essential services were allowed to operate throughout the MCO / CMCO, under guidelines set by the National Security Council, Ministry of Health and Ministry of International Trade and Industry respectively.

The Group and the Company will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic.

- (b) On 22 July 2020, the Company had entered into a share acquisition agreement to acquire 600,000 ordinary shares representing 60% equity interest in Thye On Tong Trading Sdn. Bhd., for a purchase consideration of RM10,800,000 to be satisfied by combination of cash consideration of RM3,000,000 and issuance of 39,000,000 new ordinary shares in the Company at an issue price of RM0.20 per ordinary share, which is in conjunction with the proposed diversification of the Group to include the business on distribution of consumer goods. The proposed acquisition is completed on 15 January 2021.

# ANALYSIS OF SHAREHOLDINGS

## ANALYSIS OF SHAREHOLDINGS AS AT 30 APRIL 2021

### SHARE CAPITAL

Issued and Fully Paid-up Capital	:	275,213,890
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

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

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
15	Less than 100	641	*
134	100 to 1,000	87,805	0.03
599	1,001 to 10,000	4,218,700	1.53
1,119	10,001 to 100,000	46,237,300	16.80
287	100,001 to less than 5% of issued shares	203,399,335	73.91
1	5% and above of the issued shares	21,270,109	7.73
<b>2,155</b>	<b>TOTAL</b>	<b>275,213,890</b>	<b>100.00</b>

\* Less than 0.01%

### LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

Name of Shareholders	No. of Shares Held	Percentage (%)
1. Teo Chin Heng	21,270,109	7.73
2. Lim Tong Seng	12,943,238	4.70
3. Lin Ching Yein	12,750,000	4.63
4. Loh Saw Foong	12,750,000	4.63
5. GL Equity Partners Limited	9,567,800	3.48
6. Lau Yeng Khuan	7,170,645	2.61
7. Pacific Trustees Berhad <i>for Lin Ching Yein</i>	6,750,000	2.45
8. Pacific Trustees Berhad <i>for Loh Saw Foong</i>	6,750,000	2.45
9. Teo Kooi Cheng	6,551,000	2.38
10. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Yee Foong</i>	6,222,100	2.26
11. Tan Ching Ling	6,050,000	2.20
12. Kho Siaw Sua	5,500,000	2.00
13. Ng Chew Kee	4,437,000	1.61
14. Lau Kim Pou	3,408,538	1.24
15. Chieng Yi San	3,291,000	1.20
16. TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chong Yoke Ching</i>	3,200,000	1.16
17. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Siah Tian Yee (E-TJJ)</i>	3,010,400	1.09
18. Lee Joo Hian	2,423,400	0.88
19. Ong Kee	2,100,990	0.76
20. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Kee Hor (E-TJJ)</i>	2,076,900	0.75



# ANALYSIS OF SHAREHOLDINGS (CONT'D)

## LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS) (CONT'D)

Name of Shareholders	No. of Shares Held	Percentage (%)
21. Fan Foo Min	2,000,000	0.73
22. Chan Bee Chuan	1,700,000	0.62
23. Choo Woon Meng	1,500,000	0.55
24. Yap Siaw Peng	1,445,058	0.53
25. Kong Hieng Hung	1,440,000	0.52
26. Hii Lay Yieng	1,410,100	0.51
27. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Hii Lay Yieng (E-PLT)</i>	1,258,000	0.46
28. Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chieng Tiong Ann (E-PLT)</i>	1,208,000	0.44
29. Loh Sin Chin	1,180,000	0.43
30. Chieng Yew Mang	1,119,000	0.41
<b>TOTAL</b>	<b>152,483,278</b>	<b>55.41</b>

## SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

NAME OF SHAREHOLDERS	DIRECT	NO. OF SHARES HELD		
		%	INDIRECT	%
1. Datuk Loh Saw Foong	12,750,000	4.63	#26,250,000	9.54
2. Teo Chin Heng	21,270,109	7.73	-	-

## DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

NAME OF DIRECTORS	DIRECT	NO. OF SHARES HELD		
		%	INDIRECT	%
1. Dato' Hon Choon Kim	-	-	*50,000	0.02
2. Lim Tong Seng	12,943,238	4.70	-	-
3. Teo Chin Heng	21,270,109	7.73	-	-
4. Datuk Loh Saw Foong	12,750,000	4.63	#26,250,000	9.54
5. Yap Siaw Peng	1,445,058	0.53	-	-
6. Prof. Dr. Paul Cheng Chai Liou	-	-	-	-
7. Dr. Vijaya Raghavan a/l M P Nair	-	-	-	-
8. Dato' Ng Boon Siong	-	-	-	-

Notes:

\* Deemed interested by virtue of the shares held by his spouse.

# Deemed interested by virtue of the shares held under Trustee pursuant to the Shares Sale Agreement dated 22 July 2020, and shares held directly by his spouse and under Trustee for his spouse pursuant to the Shares Sale Agreement dated 22 July 2020.

# LIST OF PROPERTIES

## AS AT 31 DECEMBER 2020

Title No. / Location	GRN 212756/Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan.	HSD151557/ No. 38, Lorong Sungai Puloh 1A/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor.
Tenure	Freehold	Freehold
Land Area/ Build-Up Area (Sq. Ft.)	141,276 / 52,474	21,858 / 14,160
Description	Industrial land erected upon with building which consist of 1 storey factory/ warehouse and attached with 3 storey office area which houses the Group's manufacturing plant and office.	3-Storey Semi Detached Office Block Cum Factory
Approximate Age Of Building	10 years	7 years
Net Book Value (RM'000)	6,195	4,422
Date of acquisition	22 April 2008	20 June 2016



**PETERLABS  
HOLDINGS  
BERHAD**

201001025806  
(909720-W)

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