



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

annual report 2018



PETERLABS  
HOLDINGS  
BERHAD  
(909720-W)

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

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



## Sustainability

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

## Honesty

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

## Accountability

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

## Responsibility

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

## Efficiency

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

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## **Form Of Proxy**

# CORPORATE PROFILE

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

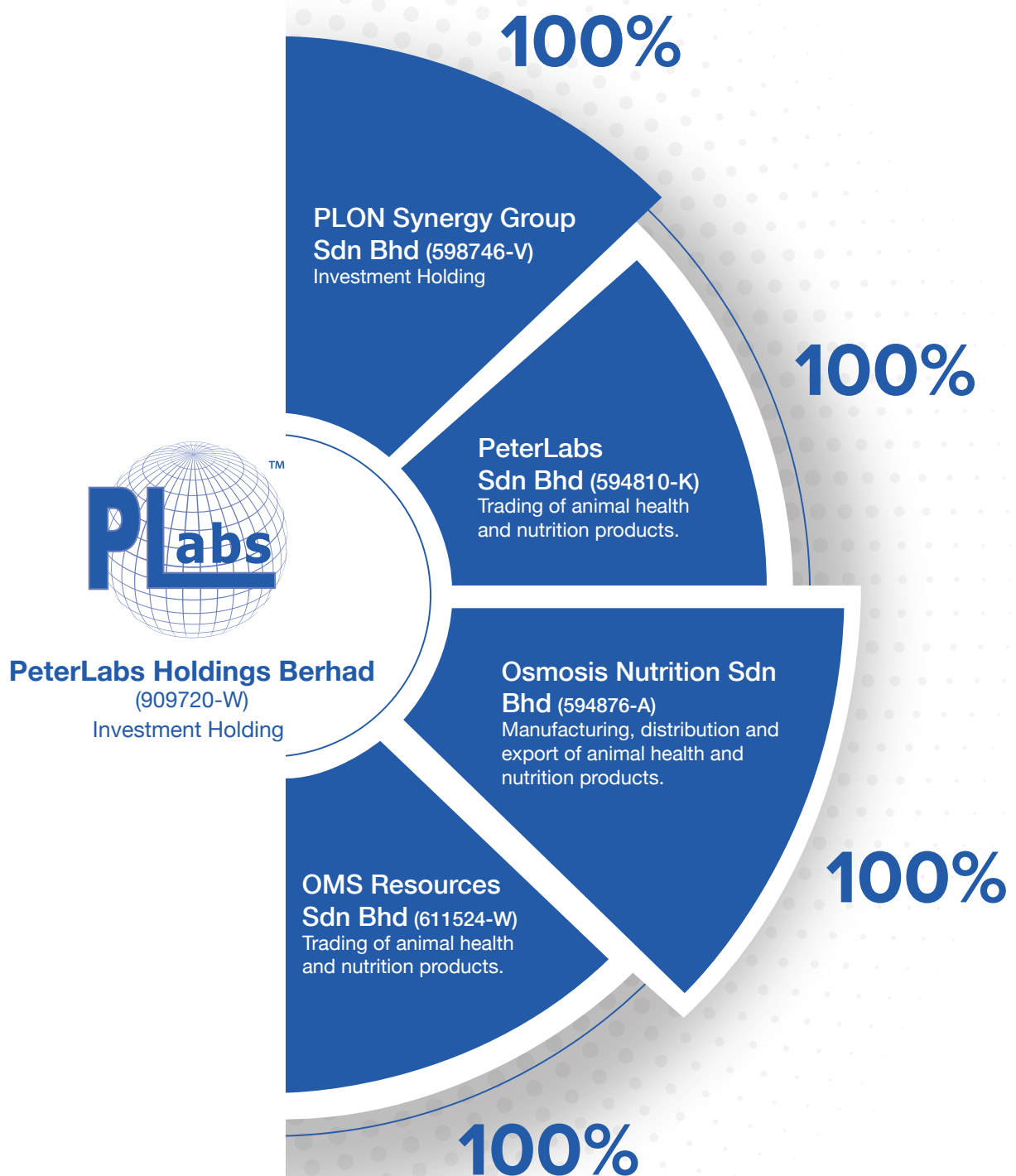
Our Group is one of the leading specialists in manufacturing, distribution and trading of animal health and nutrition products. Our Group products include animal feed additives, environment maintenance products, veterinary pharmaceuticals, biologicals, anthelmintic, antimicrobial, disinfectant, injectable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

The Group’s manufacturing plant in Nilai, Negeri Sembilan has been commercialized 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 commercialized 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.

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

# CORPORATE STRUCTURE



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Hon Choon Kim**

Independent Non-Executive Chairman

**Datuk Wira Dr. Goy Hong Boon**

Executive Director cum Deputy Chairman

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

Senior Independent Non-Executive Director

**Lim Tong Seng**

Managing Director

**Teo Chin Heng**

Executive Director

**Yap Siaw Peng**

Executive Director

**Lau Yeng Khuan**

Executive Director

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

Independent Non-Executive Director

**Azman bin Abdul Jalil**

Independent Non-Executive Director

**Lau Kin Wai**

Non-Independent and Non-Executive Director

**AUDIT COMMITTEE**

Prof. Dr. Paul Cheng Chai Liou  
(Chairman)

Dato' Hon Choon Kim

Encik Azman bin Abdul Jalil

**NOMINATION COMMITTEE**

Encik Azman bin Abdul Jalil (Chairman)

Dr. Vijaya Raghavan a/l M P Nair

Dato' Hon Choon Kim

**REMUNERATION COMMITTEE**

Dr. Vijaya Raghavan a/l M P Nair  
(Chairman)

Mr. Teo Chin Heng

Dato' Hon Choon Kim

**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 3121/5959

**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

**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  
(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 BANKERS**

Hong Leong Bank Berhad

Alliance Bank Malaysia Berhad

United Overseas (M)

Bank Berhad

Affin Bank Berhad

# MILESTONES AND ACHIEVEMENTS

Our key achievements and milestones since inception are as follows:

<b>2005</b>	<p>Special Recognition Award from CAB Cakaran Corporation Bhd (“CAB Cakaran”), a company listed on the Main Market of Bursa Securities</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs’ continuous technical support and supply of quality animal health and nutrition products to CAB Cakaran. CAB Cakaran is a leading integrated poultry producer with operations throughout Malaysia. PeterLabs has established a good business relationship with CAB Cakaran since 2002. We had conducted farmer forum and technical services for CAB Cakaran’s contracted farmers in the past.</li> </ul>
<b>2007</b>	<p>PeterLabs collaborated with Novus International Inc, USA and introduced a series of eco-friendly animal feed additives, such as Activate DA and Mintrex. These ‘green products’ have been incorporated in our animal feed additive premix to enhance the Group’s product performance namely feed intake, growth rate and feed conversion ratio (“FCR”).</p>
<b>2009</b>	<p>PeterLabs collaborated with Hangzhou KingTechina Feed Co Ltd, China to launch and market a series of Microencapsulate feed additives. The process of microencapsulation will increase the product stability, palatability and bioavailability. The microencapsulated product has been incorporated into our animal feed additives to increase the therapeutic index. It has been proven to have a positive and synergistic effect with PeterLabs’s product.</p>
<b>2009</b>	<p>Recognition Award from Novus International (M) Sdn Bhd (“Novus Malaysia”)</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs successfully introducing and creating a market in Malaysia for non-antibiotic animal feed additives under the brand name of Novus such as Activate DA and Mintrex.</li> </ul>
<b>2009</b>	<p>Recognition Award from In Vivo NSA S.A, France</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs’ successful marketing of animal feed additive products under the brand name of Neovia in the local market.</li> </ul>
<b>2004 to 2009</b>	<p>Recognition Award from Zeus Biotech Limited, India (continuously from 2004 to 2009)</p> <ul style="list-style-type: none"> <li>- In recognition of PeterLabs’ successful marketing of probiotics and enzymes feed additives in the Malaysian market and achieving good sales performance.</li> </ul>
<b>2010</b>	<p>PeterLabs collaborated with Novus Malaysia to conduct the 1st PigLIVE workshop: “Sustainable Sow Management Programme” at Genting Highlands in August 2010. The workshop was attended by approximately 140 participants from East and West Malaysia, mainly pig farm owners and technical support staff.</p>
<b>2011</b>	<p>Awards and achievements in year 2011</p> <ul style="list-style-type: none"> <li>- On 27 January 2011, the Company had received a letter from National Pharmaceutical Control Bureau (“NPCB”) of the Ministry of Health, Malaysia, which stated our plant is Good Manufacturing Practice (“GMP”) compliant.</li> <li>- Malaysian Livestock Industry Awards 2011 – Outstanding Animal Health Provider.</li> <li>- Best @ Show Awards – Most Popular Booth at Livestock Asia Expo &amp; Forum 2011 Kuala Lumpur.</li> <li>- Named to the International Business Times List of 2011 Top 1000 World’s Fastest Growing Companies.</li> <li>- SME 100 Malaysia’s Fast Moving Companies 2011.</li> </ul>
<b>2013</b>	<p>Recognition Award for outstanding contribution made to the Livestock industry</p> <ul style="list-style-type: none"> <li>- Outstanding Product Innovation: Animal Health Product.</li> </ul>
<b>2017</b>	<p>Asia Halal Brand Awards 2017 – Regional Brands</p> <ul style="list-style-type: none"> <li>- Best Animal Nutrition Feed Product – Osmosis Nutrition Sdn Bhd</li> </ul>
<b>2018</b>	<p>Recognition Award from Financial Times and Statista</p> <ul style="list-style-type: none"> <li>- FT 1000 High-Growth Companies Asia-Pacific 2018</li> </ul>



# DIRECTORS' PROFILE

## DATO' HON CHOON KIM

POSITION	NATIONALITY	GENDER/AGE
Independent Non-Executive Chairman	Malaysian	Male/71

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

He has attended all five(5) Board meetings held during the financial year.

## DATUK WIRA DR. GOY HONG BOON

POSITION	NATIONALITY	GENDER/AGE
Executive Director cum Deputy Chairman	Malaysian	Male/47

Dr. Goy was appointed as an Executive Director cum Deputy Chairman on 7 November 2017. He is a corporate consultant with extensive experience in local and international capital markets likewise in the field of information communication technology. He started his career as corporate finance manager with an International Investment Bank at the advisory division in Malaysia, his last held position was head of corporate finance and advisory, where he assisted several large corporations and GLC on raising capital via international financial market. Later, he joined a leading local financial firm as Vice President for Business Development and Corporate Advisory. Subsequently, he ventured into various ICT businesses before setting up his own consulting business specializing in Merger & Acquisition, corporate restructuring, Pre-Initial Public Offering and project funding for SME company.

He graduated with a BBA degree in 1992 from American Intercontinental University of London (presently known as University Regent's University London). He also holds an MBA from Oklahoma City University graduated in 1994. He also possesses a Doctorate degree (DBA) in Strategic

Management. He was awarded a Master of Financial Management (MFP) certification from American Academy of Financial Management. He is member of Chartered Audit Committee Director from The Institute of Internal Auditors Malaysia.

He has been awarded the title "Datuk Wira" by the state of Melaka, prior to that he was bestowed with Darjah Indera Mahkota Pahang and Darjah Johan Negeri (DJN) by the state of Penang.

He was appointed as Independent Non-Executive Director in SCC Holdings Berhad on 1 April 2010.

He has attended all five (5) Board Meetings held during the financial year.

## PROF. DR. PAUL CHENG CHAI LIOU

POSITION	NATIONALITY	GENDER/AGE
Senior Independent Non-Executive Director	Malaysian	Male/72

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

Prof. Dr. Paul Cheng distinguished himself in practice as an auditor and a tax consultant. He is the founder and currently the senior partner of Cheng & Co, a Chartered Accountants Firm established in 1993. He is also an Adjunct Professor in the University Tun Abdul Razak since February 2011. In addition, he lectures on Mandatory Accreditation Program (MAP) for directors of public listed companies in Malaysia.

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

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



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

## LIM TONG SENG

POSITION	NATIONALITY	GENDER/AGE
Managing Director	Malaysian	Male/60

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

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

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

He has attended all five (5) Board Meetings held during the financial year.

## TEO CHIN HENG

POSITION	NATIONALITY	GENDER/AGE
Executive Director	Malaysian	Male/66

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

Mr Teo began his career in his family's porcelain manufacturing business in 1979 and subsequently joined Wellchem (M) Sdn Bhd in 1981 as a Sales Executive in the veterinary division. In 1986, he co-founded Chern Tek, a

company involved in trading of animal health and nutrition products, where he assumed the position of Executive Director and was responsible for the company's sales and marketing activities.

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

He has attended all five (5) Board Meetings held during the financial year.

## YAP SIAW PENG

POSITION	NATIONALITY	GENDER/AGE
Executive Director	Malaysian	Female/46

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

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

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

She has attended all five (5) Board Meetings held during the financial year.

## DIRECTORS' PROFILE (CONT'D)

### LAU YENG KHUAN

POSITION	NATIONALITY	GENDER/AGE
Executive Director	Malaysian	Male/59

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

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

He has attended all five (5) Board Meetings held during the financial year.

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

POSITION	NATIONALITY	GENDER/AGE
Independent Non-Executive Director	Malaysian	Male/80

Dr. Vijaya was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He is the Chairman of the 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 has attended all five (5) Board Meetings held during the financial year.

### AZMAN BIN ABDUL JALIL

POSITION	NATIONALITY	GENDER/AGE
Independent Non-Executive Director	Malaysian	Male/59

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

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

In 2006, Encik Azman started his own consultancy firm, A1 Consultancy & Integrated Services Sdn Bhd, specializing in providing pharmaceutical consultancy services as well

as training and registration of medicinal drugs, traditional (herbal) medicines, health supplements, cosmetics, and veterinary medicinal products.

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

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

## LAU KIN WAI

POSITION	NATIONALITY	GENDER/AGE
Non-Independent and Non-Executive Director	Malaysian	Male/42

Lau Kin Wai was appointed as an Executive Director on 9 January 2018. He was redesignated on 8 March 2019 to Non-Independent and Non-Executive Director. He is a well-recognised technology entrepreneur in Southeast Asia who founded his first technology company when he was 23 and has since taken six technology companies public. He began his career as the co-founder and Managing Director of Viztel Solutions Berhad ("Viztel"), a telecom and mobile internet software startup. At the age of 28, Mr Lau led Viztel to IPO and was one of the youngest Managing Directors of publicly traded companies in Southeast Asia. Mr Lau is currently the Group CEO of ASX-listed Fatfish Blockchain Ltd, a publicly traded tech venture investment firm. Mr Lau is also Chairman of ASX-listed iCandy Interactive Ltd and an Independent Non-Executive Director of Sedania Innovator Berhad.

Mr Lau graduated with first class honors in Bachelor of Engineering from the University of Manchester and holds a MBA degree from the University of Oxford. He was also a postgraduate candidate and faculty member at the Imperial College London. Mr Lau frequently supports entrepreneurial campaigns in colleges and universities and is a regular judge at innovation and startup competitions in Singapore.

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

# SUSTAINABILITY STATEMENT

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

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

## Employee

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

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

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

At the heights of the Group expansion plan, our 2 manufacturing plants to deliver across the globe, the Company creates a connection of people and retaining a skilled, motivated and safety-conscious workforce.

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

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

In financial year ended 31 December 2018, the Group did not receive any fines in relation to the breach of social related laws and regulations.

## Environment

Our Group continue to enforce our efforts to comply with environment laws as well as manage the waste.

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

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

### Community

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

The Group has made a humble contribution to various temples and primary schools' education fund. We hope to enhance the lives of the local community with the contribution.

Our Group have taken the initiative to contribute towards the welfare of the animals which includes supporting one of the animal shelters basic needs in Negeri Sembilan. Many animal shelters are lacking resources to maintain their operational activities as well as the wellness of the animals. Our Group provided professional veterinary consultations, medicines, supplements, shampoos and electrical appliances for the shelter.

For the moment, PeterLabs is the first company that contribute to this animal shelter. PeterLabs will continue to enhance its contribution activities as on-going culture.

### Market place

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

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

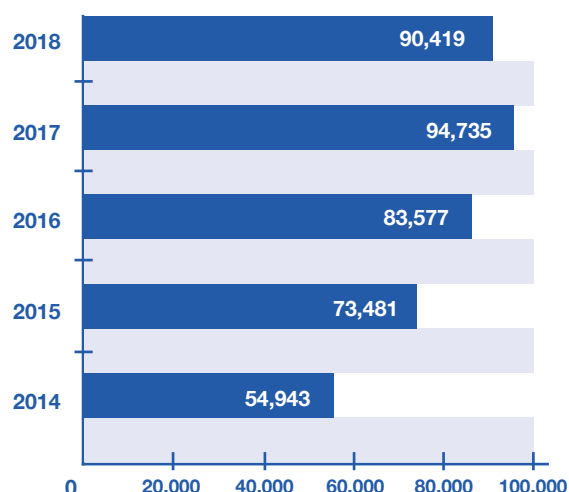
While the Company has fulfilled the key areas where risk to sustainability of the Group's business may occur, the Company acknowledges that continuous improvements and measures will still be undertaken to monitor the performance or results of the Group as well as to enhance outcome where possible.

This Sustainability Statement has been approved by the Board dated 28 March 2019.

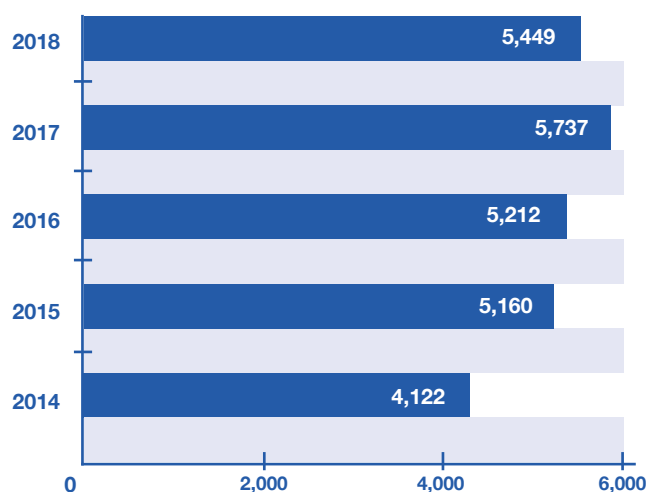
# FIVE-YEAR FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018
Revenue (RM'000)	54,943	73,481	83,577	94,735	90,419
Profit Before Taxation (RM'000)	4,122	5,160	5,212	5,737	5,449
Profit After Taxation (RM'000)	2,982	3,478	3,335	4,007	3,797
Shareholders' Equity (RM'000)	32,786	38,991	39,431	45,741	48,263
Total Assets (RM'000)	43,856	50,502	61,748	68,922	72,809
Earnings Per Share (Sen)	1.61	1.70	1.61	1.89	1.77
Net Assets Per Share (Sen)	17	20	19	21	22

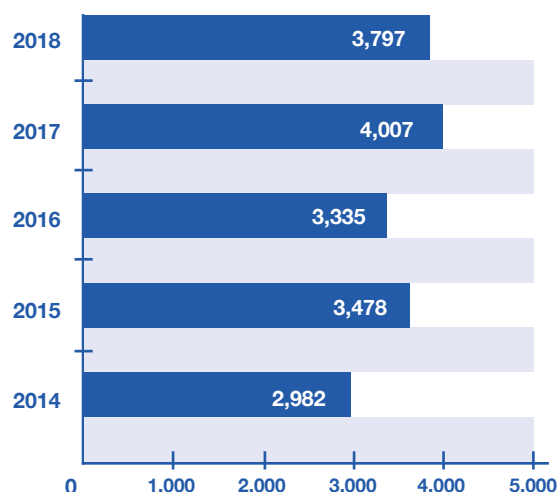
■ Revenue (RM'000)



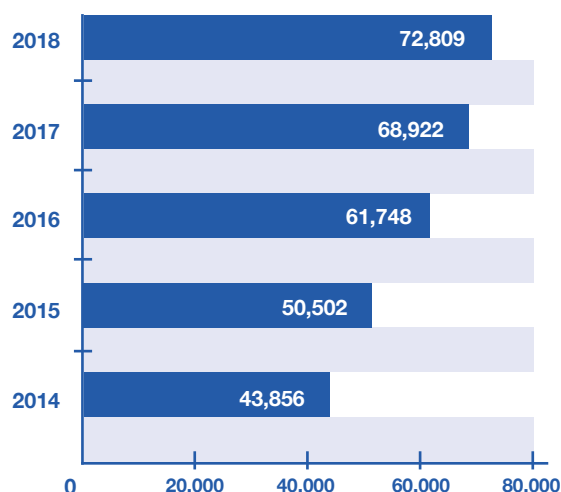
■ Profit Before Taxation (RM'000)



■ Profit After Taxation (RM'000)



■ Total Assets (RM'000)





# MANAGEMENT DISCUSSION AND ANALYSIS

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## Business Operation

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

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

In line with the expansion of our Group's manufacturing capacity, the Group has ventured into mass production and toll manufacturing. In year 2015, the Group had expanded and set up another Fat Granular Spray Plant in Klang with an approximate build up area of 28,320 sq.ft. The manufacturing plant is targeted as a manufacturing and storage for our in-house brand "OsmoFAT". The plant's operation has been commercialised in July 2016 and achieved ISO22000/HACCP Food Safety Management System and GMP+ B2. In 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 FT 1000 High-Growth Companies Asia-Pacific 2018.

## Business objective

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

The Group has a team of dynamic and energetic professionals who complement each other's work towards the common goal of manufacturing varieties of animal health products, animal

nutritional feed additive and veterinary pharmaceutical to serve the livestock industry.

The Group has also established a technical support team comprises of veterinarians, nutritionists, and chemists to serve our customers better.

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Financial Result

The table below highlights the Group's key financial performance for financial year ended 31 December 2018:

	Financial Year Ended 31 December		Variance
	2018	2017	
	RM'000	RM'000	%
Revenue	90,419	94,735	(4.56)
Cost Of Sales	72,810	77,646	(6.23)
Gross Profit	17,609	17,089	3.04
Profit Before Tax	5,449	5,737	(5.02)
Profit After Tax	3,797	4,007	(5.22)
Gross Profit Margin	19.47%	18.04%	7.93

Group Revenue for financial year ended 31 December 2018 decreased by RM4.32 million or 4.56% compared with financial year ended 31 December 2017 were mainly due to weak export sales which have significantly declined 70.70% to RM5.53 million. However, local sales which has significantly increased by 11.93% to RM84.88 million. The stronger local sales which is still growing continuously is mainly contributed by sale and distribution of 16 products produced by Zoetis Malaysia Sdn Bhd ("Zoetis") which was inked in financial year ended 31 December 2017.

Weak export market was mainly due to Osmosis Nutrition Sdn Bhd losing one of its major customers since beginning of the year. However, the subsidiary has successfully ventured into China market and acquired a new major customer, Henan Chia Tai Biochemistry Co. Ltd during August 2018.

The table below highlights the Group's Local Sales and Export Sales for financial year ended 31 December 2018 and financial year ended 31 December 2017:

#### Group Revenue by Location

	Financial Year Ended 31 December				Variance	
	2018		2017			
	RM'000	%	RM'000	%	RM'000	%
Local Sales	84,882	93.88	75,838	80.05	9,044	11.93
Export Sales	5,537	6.12	18,897	19.95	(13,360)	(70.70)
Total Sales	90,419	100.00	94,735	100.00	(4,316)	(4.56)

Gross profit margin for financial year ended 31 December 2018 improved 1.43% as compared to financial year ended 31 December 2017 was mainly due to the Group focused on high margin sales products coupled with positive contribution from Zoetis products. In addition to that, we are slowly passing on the increasing cost to our customers due to stiff competition among industry competitors.

#### Other Income

	Financial Year Ended 31 December		Variance
	2018	2017	
	RM'000	RM'000	%
Other Income	733	1,005	(27.06)

The Group total other income decreased by 27.06% mainly due to lower reversal of expected credit losses of RM236,000 as a result of compliance to the new MFRS 9 requirement.

In addition to that, lower gain on disposal of property, plant and equipment of RM37,000 as compared to financial year ended 31 December 2017 was recorded mainly due to lesser asset sold during the year.

#### Other Operating Expenses

	Financial Year Ended 31 December		Variance
	2018	2017	
	RM'000	RM'000	%
Selling and Distribution Expenses	3,261	3,918	(16.77)
Administration Expenses	8,599	7,663	12.21
Other Expenses	236	264	(10.61)
<b>Total</b>	<b>12,096</b>	<b>11,845</b>	<b>2.12</b>

Other operating expenses increased by 2.12% to RM12.09 million in financial year ended 31 December 2018 as compared to RM11.84 million in financial year ended 31 December 2017. Increase in administrative expenses is mainly due to increase in director remuneration, and certain non-repetitive expenses such as legal fees and registration fees incurred for utilizing bank borrowings facilities. In addition to that, the Group also hired higher number of employees i.e. veterinary, researcher and admin staff to accommodate our business expansion strategy into both local and export market.

Other expenses has decreased from RM264,000 in financial year ended 31 December 2018 to RM236,000 in current financial year under review was mainly due to lower inventories written down of RM66,000 offset with higher provision for expected credit losses of RM45,000 as compared with previous financial year.

However, lower selling and distribution expenses for financial year ended 31 December 2018 in tandem of lower revenue achieved.

#### Profit After Tax

The Group recorded a profit after taxation ("PAT") of RM 3.80 million for financial year ended 31 December 2018 as compared to PAT of RM4.01 million recorded in financial year ended 31 December 2017, representing a decrease of RM0.21 million or approximately 5.22%. Lower PAT in this financial year arose from lower revenue as well as higher operating expenses.

#### Trade Receivables

Trade receivables decreased by RM0.38 million primarily due to lower revenue achieved for the financial year ended 31 December 2018 but the net debtor turnover day has further increased from 90 days in financial year ended 31 December 2017 to 93 days in financial year ended 31 December 2018. The slightly lower collection achieved in financial year ended 31 December 2018 was mainly due to disease outbreak which affected our customers from poultry segments. However, the management will maintain and practise good credit control policy with continuous monitoring collection before approval for delivering goods to customers who are financially distressed.

Moreover, higher provision of expected credit losses during the year under review shows an increase of RM0.02 million as compared to financial year ended 31 December 2017. We will continue to monitor collection in order to further reduce the provision for expected credit losses as per our credit control policy.

#### Cash and Bank Balances

The Group's bank balances decreased 20.45% to RM5.59 million from RM7.03 million was mainly due to slower collection achieved despite revenue decreased by 4.56% in financial year ended 31 December 2018 as compared to financial year ended 31 December 2017.

Besides that, the Group has made advance payment of RM0.35 million to local and overseas suppliers for goods that will be shipped in next financial year ended 31 December 2019 as per payment term set by suppliers.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Financial Condition

#### Strong Financial Condition With Healthy Cash Flows

	Financial Year Ended 31 December		Variance
	2018	2017	
	RM'000	RM'000	%
Total Assets	72,809	68,922	5.64
Total Liabilities	24,546	23,181	5.89
Total Equity	48,263	45,741	5.51
Total Borrowing	8,409	12,723	(33.91)
Cash and Bank Balances	5,595	7,033	(20.45)
Issue and Fully Paid Capital	27,459	27,459	-
Net Asset Per Share (sen)	22.48	21.30	5.54
Basic Earnings Per Share (sen)	1.77	1.89	(6.35)

At year end, the Company has cash of RM5.59 million, total current assets of RM55.13 million and total current liabilities of RM19.74 million. This resulted a quick ratio of 2.79 which means that the Group has ability to meet its short-term obligations with its most liquid assets.

Total borrowing stood at RM8.40 million, of which RM4.00 million of the loan was utilised mainly for financing payment to local and foreign suppliers.

### Review of Operating Activities

	Financial Year Ended 31 December					
	2018	2017	2018	2017	2018	2017
	Trading		Manufacturing		Grand Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net Revenue	87,240	82,387	3,179	12,348	90,419	94,735
Profit/(Loss) Before Tax	6,530	4,112	(1,081)	1,625	5,449	5,737
Profit After Tax	4,553	2,872	(756)	1,135	3,797	4,007
% of Contribution (Net Revenue)	96.48	86.97	3.52	13.03	-	-
% of Contribution (PAT)	119.91	71.67	(19.91)	28.33	-	-

### Trading Segment

Trading segment remains as the core business of the Group and continues to be the key driver in both revenue and segmental operating profit for the Group. For the current financial year ended 31 December 2018, trading segment contributed 96.48% of the Group's revenue and 119.91% of its profit after tax.

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

### Manufacturing Segment

Currently the Nilai plant is running at 78% capacity on a 10-hour shift or approximately 235 tonnes a month. The plant manufactures various types of animal health additives, except for OsmoFAT products.

### **Manufacturing Segment (cont'd)**

The Group has invested a new fat granular spray plant in Klang which manufacture animal feed additives under the company's in house OsmoFAT brand. This new plant will bolster growth for the Group which will cater for local demand and future market such as China and Europe apart from current export market of Bangladesh, Thailand, Nepal and South Korea. The current output per month for the new plant is 400 tonnes and is able to expand to 1,000 tonnes a month if the Company able to penetrate and sustain the order from China market which was successfully ventured in since August 2018.

### **Anticipated or Known Risks Relating to Our Business And Industries**

#### **(1) Epidemics**

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

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

#### **(2) Competitive rivalry**

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

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

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

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

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

### Anticipated or Known Risks Relating to Our Business And Industries (cont'd)

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

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

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

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

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

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

#### (6) Threat of substitutes

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

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

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



### **Forward-looking Statement**

In anticipation of the year 2019 which we expect a challenging business environment that will be influenced by factors such as weak consumer sentiment in the regional market and fluctuating currency, we will continue to uphold our healthy business practices to strive for our business sustainability and add value to our shareholders.

Our Group has successfully ventured into China market and acquired a new major customer, Henan Chia Tai Biochemistry Co. Ltd during August 2018 as the demand for products such as OsmoFAT has grow ever stronger in China.

Barring any unforeseen circumstances, the Board believes that the Group's prospects in next financial year ending 31 December 2019 remains positive with challenges ahead and target to achieve a better result than this financial year ended 31 December 2018.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

The Board is pleased to report below the key focus areas are further described under each Corporate Governance principle.

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

### **i. Board Responsibilities**

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

The Board has set the approved authority limit for Directors and Management on annual basis, which clearly delineates relevant matters and applicable limits, including those reserved for the Board’s approval, and those which the Board may delegate to the Managing Director and Management. The last reviewed approved authority limit was on 01 June 2017.

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

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

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

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

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

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

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

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

**PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**

**ii. Board Composition**

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

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

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

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

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

During the year, the Board size had increased from nine (9) members on 1 January 2018 to ten (10) members on 31 December 2018.

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

The Board acknowledge the importance of boardroom diversity and workforce gender diversity policy. The Board currently has one female director who has been appointed on 01 March 2016.

The Board will continue to formalize the Diversity Policy, which will be priority for corporate governance activity in year 2018.

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

**Tenure of Independent Directors**

As at the reporting date, Dato' Hon Choon Kim, Prof. Dr. Paul Cheng Chai Liou, Dr. Vijaya Raghavan a/l M P Nair and Encik Azman bin Abdul Jalil have served more than nine (9) years as Independent Directors. The Board through its NC had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the Bursa Malaysia Sdn Bhd ("BMSB") AMLR and are able to provide objective and independent judgment in deliberation of the Board's agenda. Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting ("AGM") to retain them as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under the MCGG.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Tenure of Independent Directors (cont'd)

The Board's and NC's justification to retain Dato' Hon, Prof. Dr. Paul, Dr. Vijaya and Encik Azman are premised on the following:-

- Dato' Hon, Prof. Dr. Paul, Dr. Vijaya and Encik Azman continue to fulfil the criteria and definition of an Independent Director as set out under Rule 1.01 of Bursa Malaysia Listing Requirement;
- During their tenure in office, Dato' Hon, Prof. Dr. Paul, Dr. Vijaya and Encik Azman have not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director(s), major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their respective duties;
- During their tenure, Dato' Hon, Prof. Dr. Paul, Dr. Vijaya and Encik Azman have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, the Executive Director(s), major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Listing Requirements;
- During their tenure, Dato' Hon, Prof. Dr. Paul, Dr. Vijaya and Encik Azman have not been offered or granted any options by the Company. Other than directors' fees paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to them by the Company;
- During their tenure, Dato' Hon, Prof. Dr. Paul, Dr. Vijaya and Encik Azman have demonstrated consistently their integrity, commitment and contributed effectively to the Board's decision-making process; and
- During their tenure, Dato' Hon, Prof. Dr. Paul, Dr. Vijaya and Encik Azman have gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strengths and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer.

### PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### iii. Remuneration

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

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

Name	Designation	Directorship
Dr. Vijaya Raghavan A/L M P Nair	Chairman	Independent Non-Executive Director
Dato' Hon Choon Kim	Member	Independent Non-Executive Chairman
Mr. Teo Chin Heng	Member	Executive Director

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

**PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

**i. Audit Committee (cont'd)**

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

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

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

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

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

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

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

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

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

Details of the Company's statement on risk management and internal control are set out on page 32 and 33 of this Annual Report.

**Internal Audit Function**

Details of the Company's internal audit function are set out in the statement on risk management and internal control on page 32 and 33 of this Annual Report.

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

The COSO framework included:

- 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.
- Risk Assessment - within this environment, management assesses risks to the achievement of specific objectives.
- Control Activities - are implemented to help ensure that management directives to address the risks are carried out.
- Information & Communication - meanwhile, relevant information is captured and communicated throughout the organisation.
- Monitoring - the entire process is monitored and modified as conditions warrant.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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### PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### ii. Risk Management and Internal Control Framework (cont'd)

##### Internal Audit Function (cont'd)

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

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

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

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

During the financial year ended 31 December 2018, the internal auditor reviewed the adequacy and integrity of the Group's system of internal control covering both financial as well as non-financial controls. The audits focused on key controls to manage risks, safeguard assets, secure the accuracy and reliability of records, comply with policies, procedures, laws and regulations and promote efficiency of operations. For year 2018, the cost incurred for internal audit function was RM26,400.

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

#### i. Communication with Stakeholders

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

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

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

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

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

##### Leverage on Information Technology

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



**PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS  
(CONT'D)**

**ii. Conduct of General Meetings**

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

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

There were no substantive resolutions put forth for shareholders' approval at the previous AGM held on 30 May 2018. As such, all resolutions tabled for shareholders' approval were voted by way of poll.

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

**COMPLIANCE WITH THE CODE**

The Board considers that the Group has substantially complied with the best practices as stipulated in the Principles and Recommendations of the MCCG 2017 throughout the financial year ended 31 December 2018.

This statement was approved by the Board on 28 March 2019.

# AUDIT COMMITTEE REPORT

## MEMBERS OF AUDIT COMMITTEE

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

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

Chairman, Senior Independent Non-Executive Director

**Dato' Hon Choon Kim**

Member, Independent Non-Executive Chairman

**Encik Azman bin Abdul Jalil**

Member, Independent Non-Executive Director

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

## SECRETARY

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

## TERMS OF REFERENCE

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

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

## MEETINGS AND MINUTES

### Attendance at Meetings

The record of attendance of the members of the AC for meetings held during the financial year ended 31 December 2018 ("FYE 2018") are as follows:

NAME	NO. OF AUDIT COMMITTEE MEETINGS HELD DURING MEMBER'S TENURE IN OFFICE	NO. OF AUDIT COMMITTEE MEETINGS ATTENDED BY MEMBERER
Prof. Dr. Paul Cheng Chai Liou	5	5/5
Dato' Hon Choon Kim	5	5/5
Azman bin Abdul Jalil	5	5/5

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

### Meetings

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

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

### Meetings (cont'd)

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

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

### Minutes

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

## OBJECTIVES AND AUTHORITY

### Objectives

The objectives of the AC are:

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

### Authority of AC

The AC is authorised by the Board:

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

### Duties of the AC

The duties of the AC shall be:

- i. To recommend the nomination of person or persons as external auditors;

## AUDIT COMMITTEE REPORT (CONT'D)

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### OBJECTIVES AND AUTHORITY (CONT'D)

#### Duties of the AC (cont'd)

The duties of the AC shall be (cont'd):

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

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

## OBJECTIVES AND AUTHORITY (CONT'D)

### SUMMARY OF ACTIVITIES

In respect of the FYE 2018, the AC in discharging its duties and functions carried out activities which are summarised broadly as follows:

#### a) Internal Audit

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

The Company engaged Messrs. OAC Consulting Sdn Bhd ("OAC") as outsources Internal Auditors to carry out the internal audit function of the Group for the FYE 2018.

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

On 30 May 2018, OAC tabled the report for the AC's review covering the Procurement Department. The report focused on assessment of the effectiveness of internal control and performed testing to ensure the internal controls have been complied with by the Procurement Department.

On 28 August 2018, OAC tabled a second report for AC's review covering the areas of IT Department. The report focused on understanding and formalizing the standard operating procedures for IT Department.

On 28 November 2018, OAC tabled a third report for AC's review covering the Human Resource Management. The report focused on assessment of the effectiveness of internal control and performed testing to ensure the internal controls have been complied with by the Human Resource Management.

On 28 February 2019, OAC tabled a fourth report of AC's review covering the audit follow-up year 2018. The report focused on the audit follow-up for procurement, IT and Human Resource Management.

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

For year 2018, the cost incurred for internal audit function was RM26,400.

#### b) Financial Reporting

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

- i. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The 1st, 2nd, 3rd and 4th Quarter Interim Financial Reports were tabled at the AC meetings held on 30 May 2018, 28 August 2018, and 28 November 2018 and 28 February 2019;
- ii. Ensured 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 Malaysia while the quarterly reports took into consideration Rule 9.22 including Appendix 9B of the Listing Requirements;
- iii. Reviewed the various Board's Policies and Procedures, Board Charter, procedures for RRPT;

## AUDIT COMMITTEE REPORT (CONT'D)

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### OBJECTIVES AND AUTHORITY (CONT'D)

### SUMMARY OF ACTIVITIES (CONT'D)

#### b) Financial Reporting (cont'd)

- iv. Reviewed the External Auditors' Audit Planning Memorandum ("APM") for the FYE 2018 which covered the engagement and reporting requirements, audit approach, areas of audit emphasis, significant events during the financial year, communication with the management, engagement team, the reporting and deliverables as well as the proposed audit fees;
- v. Reviewed the External Auditors' audit findings and recommendations and the AFS for the FYE 2018 on 28 March 2019;
- vi. Reviewed RPT/RRPT entered into by the Company and its subsidiaries during its AC meetings on 30 May 2018, 28 August 2018, 28 November 2018 and 28 February 2019;
- vii. Considered the performance of External Auditors, reviewed the independence of External Auditors and recommended to the Board for re-appointment;
- viii. To ensure the integrity of the financial information, received assurance from the Executive Directors and Executive Director in charge of Finance, that:-
  - Appropriate accounting policies had been adopted and applied consistently;
  - The going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
  - Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
  - Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRSs and Listing Requirements; and
  - The consolidated AFS and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.
- ix. Reviewed the AC Report, CG Overview Statement, CG Report and Statement on Risk Management and Internal Control for publication in the 2018 Annual Report; and
- x. Reviewed the Statement of Risk Management and Internal Control together with the Internal Auditors and External Auditors and received assurance from the Executive Directors and Executive Director in charge of Finance that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the Statement to the Board.

#### c) External Audit

Messrs Grant Thornton Malaysia ("GT") is the External Auditors for the Group and all its subsidiaries. GT led by their engagement partner presented their External APM for the Reviewed External Auditors' APM for the FYE 2018 on 28 November 2018 and had declared and confirmed that they were independent and would be independent through their audit engagement.

## OBJECTIVES AND AUTHORITY (CONT'D)

### SUMMARY OF ACTIVITIES (CONT'D)

#### c) External Audit (cont'd)

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 paid to the External Auditors amounting to RM22,200 for the FYE 2018. The non-audit fees were in respect of services rendered in respect of tax compliance, review of the Statement on Risk Management and Internal Control.

The AC carried out an assessment of the performance and suitability of GT based on the quality of services and relationship with Management, AC, Internal auditors and Board. The AC has been generally satisfied with the independence, performance and suitability of GT based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of GT as External Auditors for the Financial Year Ending 31 December 2019.

### CG PRACTICES

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

The AC discussed and reviewed the CG Overview Statement and CG Report for the FYE 2018.

The statement was approved by the Board on 28 March 2019.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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## Board Responsibility

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

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

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

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

## Risk Management Framework

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

## Internal Audit Structure

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

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

## Organisation Structure

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

## Financial Reporting Controls

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

### **Operational Monitoring and Controls**

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

### **Performance Measurement Controls**

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

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

### **Conclusion**

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

The Board has received assurance from the Executive Directors that the Company's risk management and internal control system is in place and operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. The Board is satisfied that the system of risk management and internal control is in accordance with the MCCG.

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

This Statement was approved by the Board on 28 March 2019.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

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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 AMLR.

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

# ADDITIONAL COMPLIANCE INFORMATION

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

**1. Material Contract**

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

**2. Contract Relating To Loan**

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

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

There were audit fees of RM63,000 and non-audit fees of RM22,200 paid to the external auditors by the Group in providing their taxation services and reviewing of the Statement on Risk Management and Internal Control for the financial year ended 31 December 2018.

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

There were no corporate proposals implemented during the financial year ended 31 December 2018.

# Financial Statements

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

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

There were 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/(Loss) for the financial year	3,797,530	(314,471)
Attributable to:-		
Owners of the Company	3,797,530	(314,471)

## DIVIDENDS

The amount of dividends declared and paid since the end of the last financial year were as follows:-

	RM
In respect of the financial year ended 31 December 2017 and declared on 19 January 2018 and paid on 9 February 2018:-	-
An interim single tier dividend of 0.6 sen per ordinary share	1,288,439

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)  
Datuk Wira Dr. Goy Hong Boon (Executive Director cum Deputy Chairman)  
Lim Tong Seng (Managing Director)\*  
Teo Chin Heng (Executive Director)\*  
Lau Yeng Khuan (Executive Director)  
Yap Siaw Peng (Executive Director)  
Lau Kin Wai (Redesignation to Non-Independent Non-Executive Director on 8 March 2019)  
Prof. Dr. Paul Cheng Chai Liou (Senior Independent Non-Executive Director)  
Dr. Vijaya Raghavan A/L M P Nair (Independent Non-Executive Director)  
Azman Bin Abdul Jalil (Independent Non-Executive Director)

\* Director of the Company and of all the subsidiaries

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

Dr. Teo Kooi Cheng  
Lim Swee Hwa  
Chan Bee Chuan  
Kho Siaw Sua  
Lau Yeng Khuan

In accordance with Article 90 of the Company's Articles of Association, Lim Tong Seng, Teo Chin Heng and Dr. Vijaya Raghavan A/L M P Nair will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' FEES AND BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the Notes to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in the Notes to the Financial Statements.

### DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 25 to the Financial Statements.



## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Directors of the Company

	----- Ordinary shares -----			
	At 1.1.2018	Bought	Sold	At 31.12.2018
<b>Interest in the Company</b>				
<b>Direct interest</b>				
Lim Tong Seng	11,943,238	1,000,000	-	12,943,238
Teo Chin Heng	17,565,245	3,064,864	-	20,630,109
Lau Yeng Khuan	6,900,645	-	-	6,900,645
Azman bin Abdul Jalil	30,000	-	-	30,000
Yap Siaw Peng	-	1,000,000	-	1,000,000
<b>Indirect interest</b>				
Dato' Hon Choon Kim (Deemed interest by virtue of the shares held by his spouse)	50,000	-	-	50,000
Yap Siaw Peng (Deemed interest by virtue of the shares held by her spouse)	350,058	-	-	350,058
Datuk Wira Dr. Goy Hong Boon (Deemed interest by virtue of the shares held by his spouse)	3,466,800	-	-	3,466,800
Lau Kin Wai*	-	20,405,100	(523,700)	19,881,400

\* Indirect interest by virtue of his shareholdings in Fatfish Ventures Sdn. Bhd., the shareholders of PeterLabs Holdings Berhad.

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

## ISSUE OF SHARES AND DEBENTURES

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

## OTHER STATUTORY INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and all known bad debts had been written off; and

## DIRECTORS' REPORT (CONT'D)

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### OTHER STATUTORY INFORMATION (CONT'D)

- (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.

In the opinion of the Directors:-

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

The amount of indemnity coverage and insurance premium paid for Directors and officers of the Group and of the Company during the financial year are disclosed in Note 25 to the Financial Statements.

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and of its subsidiaries for the financial year ended 31 December 2018 amounted to RM16,500 and RM49,500 respectively.

The Auditors, Messrs Grant Thornton Malaysia, 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.

[illegible]

## DIRECTORS

TEO CHIN HENG

Kuala Lumpur  
28 March 2019

# STATEMENT BY DIRECTORS

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In the opinion of the Directors, the financial statements set out on pages 47 to 95 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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

.....  
TEO CHIN HENG

Kuala Lumpur  
28 March 2019

# STATUTORY DECLARATION

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I, Thong Swee Hean, being the officer primarily responsible for the financial management of PeterLabs Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 95 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  
28 March 2019

)  
)  
)  
) .....

THONG SWEE HEAN  
(MIA NO. 17380)

Before me:

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD

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## 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 2018, 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 47 to 95.

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 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

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

### Independent and Other Ethical Responsibilities

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

### Key Audit Matters

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

### Inventories valuation

#### The risk

Refer to Note 7 to the Financial Statements. The Group holds significant amount of inventories that amounted to RM25,478,194 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (CONT'D)

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

### Key Audit Matters (Cont'd)

#### Provision for expected credit losses ("ECL") for trade receivables

##### The risk

Refer to Note 8 to the Financial Statements. We focused on this area because the Group has material amount of trade receivables. The adequacy of assessment on recoverability of trade receivables require the use of estimates and judgements of the management. The Group uses a provision matrix to calculate ECL for trade receivables.

##### Our response

We have challenged the management's estimates in provision rate used to provide ECL 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.

#### Revenue recognition

##### The risk

Refer to Note 18 to the Financial Statements. We focus on this area given the magnitude of revenue transaction that occurred. Under MFRS 15 Revenue from contracts with customers, revenue is recognised through a five steps model by identifying the contracts, identifying performance obligation, determine transaction price, allocate transaction price to performance obligation and recognise revenue.

##### Our response

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

We understood and reviewed the appropriateness of revenue recognition policies.

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

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

The Directors of the Company are responsible for the other information. The other information comprise the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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 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, 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (CONT'D)

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

#### 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.

#### 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 TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD (CONT'D)

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

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

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

We also provided to the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 Matters

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

GRANT THORNTON MALAYSIA  
(NO. AF: 0737)  
CHARTERED ACCOUNTANTS

Kuala Lumpur  
28 March 2019

OOI POH LIM  
(NO: 3087/10/19(J))  
CHARTERED ACCOUNTANT

# STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		GROUP		COMPANY	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	17,677,866	18,710,891	-	-
Investment in subsidiaries	6	-	-	17,299,900	17,299,900
Total non-current assets		17,677,866	18,710,891	17,299,900	17,299,900
<b>Current assets</b>					
Inventories	7	25,478,194	17,238,577	-	-
Trade receivables	8	23,079,199	23,458,431	-	-
Other receivables	9	810,091	2,443,580	11,208	13,250
Amount due from subsidiaries	6	-	-	11,328,153	10,118,153
Tax recoverable		168,811	37,579	3,182	1,573
Cash and bank balances	10	5,594,854	7,032,806	12,216	2,827,724
Total current assets		55,131,149	50,210,973	11,354,759	12,960,700
<b>TOTAL ASSETS</b>		<b>72,809,015</b>	<b>68,921,864</b>	<b>28,654,659</b>	<b>30,260,600</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company:-</b>					
Share capital	11	27,459,485	27,459,485	27,459,485	27,459,485
Unappropriated profits	12	20,803,586	18,281,351	1,042,105	2,645,015
Total equity		48,263,071	45,740,836	28,501,590	30,104,500
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Finance lease liabilities	13	917,664	811,287	-	-
Borrowings	14	3,444,557	4,380,333	-	-
Deferred tax liabilities	15	440,000	711,000	-	-
Total non-current liabilities		4,802,221	5,902,620	-	-
<b>Current liabilities</b>					
Trade payables	16	7,786,724	4,260,915	-	-
Other payables	17	5,990,951	4,225,087	153,069	156,100
Finance lease liabilities	13	403,706	287,843	-	-
Borrowings	14	4,964,556	8,342,349	-	-
Tax payable		597,786	162,214	-	-
Total current liabilities		19,743,723	17,278,408	153,069	156,100
<b>TOTAL LIABILITIES</b>		<b>24,545,944</b>	<b>23,181,028</b>	<b>153,069</b>	<b>156,100</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>72,809,015</b>	<b>68,921,864</b>	<b>28,654,659</b>	<b>30,260,600</b>

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

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		GROUP		COMPANY	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	18	90,419,449	94,734,722	-	2,650,000
Cost of sales		(72,809,603)	(77,645,984)	-	-
Gross profit		17,609,846	17,088,738	-	2,650,000
Other income	19	732,878	1,004,957	1,000	4,955
Selling and distribution expenses		(3,260,878)	(3,917,573)	-	-
Administrative expenses		(8,598,974)	(7,663,408)	(315,472)	(325,894)
Other expenses	20	(236,405)	(264,064)	-	-
Operating profit/(loss)		6,246,467	6,248,650	(314,472)	2,329,061
Finance costs	21	(797,153)	(511,293)	-	-
Profit/(Loss) before tax	22	5,449,314	5,737,357	(314,472)	2,329,061
Tax (expense)/income	23	(1,651,784)	(1,729,861)	1	(1,132)
Profit/(Loss) for the financial year		3,797,530	4,007,496	(314,471)	2,327,929
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/(loss) for the financial year		3,797,530	4,007,496	(314,471)	2,327,929
Total profit/(loss) and total comprehensive income/(loss) for the financial year		3,797,530	4,007,496	(314,471)	2,327,929
Earnings per share attributable to owners of the Company	24				
-basic (sen)		1.77	1.89		
-diluted (sen)		N/A	N/A		

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

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	----- Attributable to owners of the Company -----			
	-- Non-distributable --		Distributable	Total
	Share capital RM	Share premium RM	Unappropriated profits RM	equity RM
<b>Group</b>				
Balance at 1 January 2017	20,680,000	4,476,914	14,273,855	39,430,769
Profit for the financial year	-	-	4,007,496	4,007,496
Total comprehensive income for the financial year	-	-	4,007,496	4,007,496
<b>Transactions with owners:-</b>				
- Issuance of shares	2,302,571	-	-	2,302,571
- Transition to no-par value regime^	4,476,914	(4,476,914)	-	-
Total transactions with owners	6,779,485	(4,476,914)	-	2,302,571
Balance at 31 December 2017	27,459,485	-	18,281,351	45,740,836
Effect of adopting MFRS 9	-	-	13,144	13,144
Balance at 1 January 2018	27,459,485	-	18,294,495	45,753,980
Profit for the financial year	-	-	3,797,530	3,797,530
Total comprehensive income for the financial year	-	-	3,797,530	3,797,530
<b>Transaction with owners:-</b>				
In respect of the financial year ended 31 December 2017:				
- Dividend of 0.6 sen per share, paid on 9 February 2018	-	-	(1,288,439)	(1,288,439)
Total transaction with owners	-	-	(1,288,439)	(1,288,439)
Balance at 31 December 2018	27,459,485	-	20,803,586	48,263,071

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	----- Attributable to owners of the Company -----			
	-- Non-distributable --		Distributable	
	Share capital RM	Share premium RM	Unappropriated profits RM	Total RM
<b>Company</b>				
Balance at 1 January 2017	20,680,000	4,476,914	317,086	25,474,000
Profit for the financial year	-	-	2,327,929	2,327,929
Total comprehensive income for the financial year	-	-	2,327,929	2,327,929
Transactions with owners:-				
- Issuance of shares	2,302,571	-	-	2,302,571
- Transition to no-par value regime^	4,476,914	(4,476,914)	-	-
Total transactions with owners	6,779,485	(4,476,914)	-	2,302,571
Balance at 31 December 2017	27,459,485	-	2,645,015	30,104,500
Loss for the financial year	-	-	(314,471)	(314,471)
Total comprehensive loss for the financial year	-	-	(314,471)	(314,471)
<b>Transaction with owners:-</b>				
In respect of the financial year ended 31 December 2017:				
- Dividend of 0.6 sen per share, paid on 9 February 2018	-	-	(1,288,439)	(1,288,439)
Total transaction with owners	-	-	(1,288,439)	(1,288,439)
Balance at 31 December 2018	27,459,485	-	1,042,105	28,501,590

^ The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM4,476,914 (2017: RM4,476,914) for purposes as set out in Sections 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	GROUP 2018 RM	2017 RM	COMPANY 2018 RM	2017 RM
<b>OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		5,449,314	5,737,357	(314,472)	2,329,061
<b>Adjustments for:-</b>					
Bad debts written off		13,041	-	-	-
Depreciation		1,749,478	1,559,056	-	-
Dividend income		-	-	-	(2,650,000)
Gain on disposal of property, plant and equipment		(17,394)	(54,434)	-	-
Provision for expected credit losses		44,894	-	-	-
Reversal of expected credit losses		(7,836)	(243,783)	-	-
Interest expenses		797,153	511,293	-	-
Interest income		(93,929)	(113,474)	(1,000)	(4,955)
Inventories written down		2,119	68,815	-	-
Written off on property, plant and equipment		1,367	-	-	-
Reversal of inventories written down		(54,121)	(112,307)	-	-
Unrealised gain on foreign exchange		(34,892)	(4,871)	-	-
Operating profit/(loss) before working capital changes		7,849,194	7,347,652	(315,472)	(325,894)
Changes in working capital:-					
Inventories		(8,187,615)	(5,611,538)	-	-
Receivables		1,977,424	188,972	2,042	(12,250)
Payables		5,299,985	(410,490)	(3,031)	(1,434,300)
Bills payables		(3,429,452)	1,671,611	-	-
Cash generated from/(used in) operations		3,509,536	3,186,207	(316,461)	(1,772,444)
Tax paid		(1,618,444)	(1,466,147)	(1,608)	(2,821)
Tax refund		-	150,193	-	-
Interest paid		(417,072)	(160,793)	-	-
Interest received		93,929	113,474	1,000	4,955
Net cash from/(used in) operating activities		1,567,949	1,822,934	(317,069)	(1,770,310)
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	A	(201,279)	(1,160,073)	-	-
Proceeds from disposal of property, plant and equipment		67,436	54,434	-	-
Dividend received		-	-	-	2,650,000
Net cash (used in)/from investing activities		(133,843)	(1,105,639)	-	2,650,000

STATEMENTS OF CASH FLOWS FOR  
THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		GROUP		COMPANY	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
<b>FINANCING ACTIVITIES</b>					
Advances to subsidiaries		-	-	(1,210,000)	(1,500,000)
Dividend paid	(1,288,439)		-	(1,288,439)	-
Interest paid	(380,081)		(350,500)	-	-
Proceeds from issuance of shares	-		2,302,571	-	2,302,571
Repayment of term loans	(884,117)		(889,005)	-	-
Repayment of finance lease liabilities	(344,343)		(315,743)	-	-
Net cash (used in)/from financing activities	(2,896,980)		747,323	(2,498,439)	802,571
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes	(1,462,874)		1,464,618	(2,815,508)	1,682,261
Effect of exchange rate changes	24,922		-	-	-
Brought forward	7,032,806		5,568,188	2,827,724	1,145,463
Carried forward	5,594,854		7,032,806	12,216	2,827,724

**NOTE TO THE STATEMENTS OF CASH FLOWS**

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

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Total purchases	767,862	1,526,041	-	-
Purchase through finance lease arrangement	(566,583)	(365,968)	-	-
Cash payment	201,279	1,160,073	-	-

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

# NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

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## 1. GENERAL INFORMATION

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

The Company is principally engaged in investment holding activities.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 28 March 2019.

## 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 new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Group and of the Company except as those explanations as disclosed in Note 4 to the Financial Statements.

Several other amendments are effective for the first time in financial year ended 31 December 2018. However, they do not have any impact to the financial statements of the Group and of the Company.



## 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, MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group and the Company.

The management anticipates that all of the 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 impact to the financial statements of the Group and of the Company except as mentioned below:-

#### **MFRS 16 Leases**

MFRS 16, *Leases* becomes mandatory with annual periods beginning on or after 1 January 2019. The new standard replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Essentially, the new standard requires all lease arrangements ("right-of-use assets") to be recognised on the statement of financial position. The structure of the statement of profit or loss will change as the previous lease expense will be replaced by a depreciation charge on the right-of-use asset and the interest expense on the corresponding lease liability. The related cash flows will be divided into repayment of the lease liability and interest portion, thus changing the structure of the cash flows.

As of 31 December 2018, the Group and the Company do not have any material non-cancellable operating lease commitment in their financial statements.

### 2.5 Significant accounting estimates and judgements

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

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

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

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

#### Key sources of estimation uncertainty

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

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

The management estimates the useful lives of the property, plant and equipment to be within 5 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.

The carrying amount is analysed in Note 5 to the Financial Statements. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in an adjustment to the Group's assets.

#### **Impairment of property, plant and equipment**

The Group carried out the impairment test based on a variety of estimation including the value-in-use of the cash-generating unit to which the property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generated unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### **Inventories**

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, the management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly and the Group's profit to change.

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

#### **Provision for expected credit losses ("ECL") of trade receivables under MFRS 9 Financial Instruments**

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

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

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

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

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

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

##### **Provision for expected credit losses ("ECL") of trade receivables under MFRS 9 Financial Instruments (cont'd)**

The assessment of the correlation between historical observed rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group'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 receivables at the end of the reporting year is disclosed in Note 8 to the Financial Statements.

##### **Impairment of loans and receivables under MFRS 139 Financial Instruments: Recognition and Measurement**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

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

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

#### Significant management judgement

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

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

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

##### **Leases**

In applying the classification of leases in MFRS 117, management considers some of its leases of motor vehicles as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

### 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.

##### 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.

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

#### 3.1 Consolidation (cont'd)

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

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 139 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 139, it is measured in accordance with the appropriate MFRS.

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

##### 3.1.4 Loss of control

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

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

#### 3.2 Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

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

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

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

#### 3.3 Inventories

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

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

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

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

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

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

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

#### 3.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

##### Finance Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

##### Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the lease assets are not recognised in the statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

#### 3.5 Financial instruments – MFRS 9 & MFRS 139

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.

##### 3.5.1 Financial assets under MFRS 9 Financial Instruments

###### 3.5.1.1 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.

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

#### 3.5 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

##### 3.5.1 Financial assets under MFRS 9 Financial Instruments (cont'd)

###### 3.5.1.1 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.

###### 3.5.1.2 Subsequent measurement

###### Financial assets at amortised cost

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 cash equivalents, trade receivables, other receivables and amount due from subsidiaries.

##### 3.5.2 Financial assets under MFRS 139 Financial Instruments

###### 3.5.2.1 Initial recognition and measurement

Financial assets are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are measured initially at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are measured subsequently as described below.

###### 3.5.2.2 Categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

- a) financial assets at fair value through profit or loss;
- b) held-to-maturity investments;
- c) loans and receivables; and
- d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.



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

#### 3.5 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

##### 3.5.2 Financial assets under MFRS 139 Financial Instruments (cont'd)

###### 3.5.2.2 Categorisation and subsequent measurement (cont'd)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expired or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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.

At the reporting date, the Group and the Company have not designated any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The Group and the Company carry only loans and receivables on their statements of financial position.

###### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognitions, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, amount due from subsidiaries, trade and most of other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current assets.

###### 3.5.3 Impairment of financial assets under MFRS 9 Financial Instruments

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECL") for all debt instrument not held at FVTPL. ECL 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 ECL is the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

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

#### 3.5 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

##### 3.5.3 Impairment of financial assets under MFRS 9 Financial Instruments (cont'd)

ECLs are measured on either of the following bases:-

- 12-month ECL: these are losses that are expected to result from possible default events within 12 months after the reporting year; and
- Lifetime ECL: 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 all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-months ECL 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 ECL.

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 ECL 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, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

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.

##### 3.5.4 Impairment of financial assets under MFRS 139 Financial Instruments

The Group and the Company assess at each reporting year whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### Loans and receivables

For loans and receivables, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

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

#### 3.5 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

##### 3.5.4 Impairment of financial assets under MFRS 139 Financial Instruments (cont'd)

###### Loans and receivables (cont'd)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

##### 3.5.5 Financial liabilities under MFRS 9 and MFRS 139 Financial Instruments

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

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 fair value through profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss. 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, finance lease liabilities, 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 year.

###### Financial guarantee contracts

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

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

#### 3.5 Financial instruments – MFRS 9 & MFRS 139 (cont'd)

##### 3.5.6 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.

##### 3.5.7 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.

#### 3.6 Revenue recognition – MFRS 15 and MFRS 118

##### 3.6.1 MFRS 15 Revenue from contracts with customers

The Group and the Company applied five-step model revenue recognition under MFRS 15 Revenue from Contracts with Customers effective 1 January 2018. The adoption of this standard results in changes in the accounting policy for revenue recognition, and has no material financial impact from the MFRS 118 Revenue applied previously.

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 standards:-

- 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.

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

#### 3.6 Revenue recognition – MFRS 15 and MFRS 118 (cont'd)

##### 3.6.1 MFRS 15 Revenue from contracts with customers (cont'd)

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 standards (cont'd):-

- 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.

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.

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:-

##### 3.6.1.1 Sales of goods

All revenue is recognised at a point in time, which is typically on service rendered. Goods are sold when (or as) 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 tax. The Group and the Company 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 4 to the Financial Statements.

##### 3.6.1.2 Dividend income

Dividend income from investment is recognised when the Group's and the Company's right to receive payment is established.

##### 3.6.1.3 Interest income

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

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

#### 3.6 Revenue recognition – MFRS 15 and MFRS 118 (cont'd)

##### 3.6.2 Revenue recognition under MFRS 118 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### 3.6.2.1 Sale of goods

Revenue from sale of goods is recognised upon delivery of goods sold and customer acceptance, net of returns and trade discounts. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated cost or the possible return of goods.

##### 3.6.2.2 Dividend income

Dividend income is recognised at the time the right to receive payment is established.

##### 3.6.2.3 Interest income

Interest income is recognised as it accrues on a time basis using effective interest method.

#### 3.7 Foreign currency translation

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

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.

#### 3.8 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.

Unappropriated profits include all current and prior periods' unappropriated profits.

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

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

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

### **3. 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 Contingencies**

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

#### **3.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

#### **3.13 Employee benefits**

##### **3.13.1 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 are 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 year.



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

**3.13 Employee benefits (cont'd)**

**3.13.2 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").

**3.14 Tax expenses**

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

**3.14.1 Current tax**

Current tax is the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Current tax for current and prior periods is recognised as a liability (or an 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 year.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting year.

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

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

Unutilised reinvestment allowances and investment tax allowances, being tax incentives that are not tax bases of an asset, are recognised as deferred tax assets to the extent that there are probable that the future taxable profits will be available to offset against the unutilised tax incentive credit.



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

#### 3.14 Tax expenses (cont'd)

##### 3.14.3 Indirect tax

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

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

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

During the financial year, GST reset at standard rated of 0% with effective on 1 June 2018 and sales and services tax ("SST") was enacted with effective on 1 September 2018 to replace GST.

#### 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 show in Note 34 to the Financial Statements.

#### 3.16 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;
- (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.

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.

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

#### 3.17 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 period.

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 period.

### 4. CHANGES IN ACCOUNTING POLICIES

#### MFRS 9 Financial Instruments

The Group and the Company have adopted MFRS 9 on 1 January 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this standard are not relevant to the Group and the Company.

The Group and the Company have applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

The effects of adoption of MFRS 9 Financial Instruments are as follows:-

##### Financial assets

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost, FVTOCI and FVTPL. The classification above depends the Group's and the Company's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Group and the Company as at 1 January 2018 are reclassified to the following categories and remeasured accordingly:-

	Note	Measurement category		Group Carrying amount as at 1 January 2018			Company Carrying amount as at 1 January 2018	
		Original (MFRS 139)	NEW (MFRS 9)	Original (MFRS 139) RM	Remeasured RM	New (MFRS 9) RM	Original (MFRS 139) RM	New (MFRS 9) RM
<b>Financial assets:</b>								
Trade receivables	(1)	LAR*	Amortised cost	23,458,431	13,144	23,471,575	-	-
Other receivables	(1)	LAR*	Amortised cost	2,077,658	-	2,077,658	1,000	1,000
Amount due from subsidiaries	(1)	LAR*	Amortised cost	-	-	-	10,118,153	10,118,153
Cash and bank balances	(1)	LAR*	Amortised cost	7,032,806	-	7,032,806	2,827,724	2,827,724

The effect of remeasurement will be adjusted against the unappropriated profit as at 1 January 2018.

\* LAR - Loans and Receivables

##### Note:

- (1) Trade receivables, other receivables, amount due from subsidiaries and cash and bank balances that was previously classified as loans and receivables are now reclassified to amortised cost. The Group and the Company intend to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

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

##### **MFRS 9 Financial Instruments (cont'd)**

The effects of adoption of MFRS 9 Financial Instruments are as follows (cont'd):-

##### Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139, all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9, these fair value changes are generally presented as follows:-

- the amount of changes in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's and the Company's assessment did not identify any requirements to reclassify financial liabilities at 1 January 2018 and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

##### **MFRS 15 Revenue from contracts with customers**

MFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised. Under MFRS 15, revenue is recognised when control of the goods or services transfers to the customer at an amount that reflects the consideration to which the Group expect to be entitled in exchange for those goods and services.

The Group sells to customers solely based on purchase orders.

The Company received dividend income from its subsidiaries.

Revenue is recognised for these arrangements over time or at a point in time depending on the Group's evaluation of when the customer obtains control of the promised products or services. The Group has reviewed its performance obligations, customer contracts and evaluated the impact of MFRS 15 based on the amount and timing of revenue recognition.

All revenue is recognised at a point in time, which is typically on delivery or render of services. An asset is transferred when (or as) 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 tax.

In conclusion, the adoption of MFRS 15 has no significant impact on the substance of the principles applied by the Group to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group remain generally unaltered. No adjustment to the opening balance of unappropriated profits has been made as there is no impact on the revenue recognition.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Computer equipment RM	Capital work-in- progress RM	Furniture and fittings RM	Air- conditioners RM	Renovation RM	Laboratory RM	Total RM
<b>Cost</b>												
At 1 January 2017	1,467,419	10,717,988	1,484,362	8,050,559	200,285	77,825	-	115,200	94,403	186,480	553,717	22,948,238
Additions	-	-	383,441	84,150	-	-	1,027,500	-	-	30,950	-	1,526,041
Reclassification	-	-	-	867,500	-	-	(867,500)	-	-	-	-	-
Disposals	-	-	(276,143)	-	-	-	-	-	-	-	-	(276,143)
At 31 December 2017	1,467,419	10,717,988	1,591,660	9,002,209	200,285	77,825	160,000	115,200	94,403	217,430	553,717	24,198,136
Additions	-	-	612,987	121,275	-	-	-	-	-	-	33,600	767,862
Reclassification	-	-	-	160,000	-	-	(160,000)	-	-	-	-	-
Disposals	-	-	(78,950)	(43,850)	-	-	-	-	-	-	-	(122,800)
Written off	-	-	-	(5,125)	-	-	-	-	-	-	-	(5,125)
At 31 December 2018	1,467,419	10,717,988	2,125,697	9,234,509	200,285	77,825	-	115,200	94,403	217,430	587,317	24,838,073
<b>Accumulated depreciation</b>												
At 1 January 2017	-	710,654	120,695	2,790,782	101,526	50,497	-	44,104	56,963	20,817	308,294	4,204,332
Charge for the financial year	-	214,360	374,881	845,570	18,828	10,323	-	11,520	9,394	30,598	43,582	1,559,056
Disposals	-	-	(276,143)	-	-	-	-	-	-	-	-	(276,143)
At 31 December 2017	-	925,014	219,433	3,636,352	120,354	60,820	-	55,624	66,357	51,415	351,876	5,487,245
Charge for the financial year	-	214,360	470,733	929,660	18,177	6,247	-	11,520	9,394	31,490	57,897	1,749,478
Disposals	-	-	(71,662)	(1,096)	-	-	-	-	-	-	-	(72,758)
Written off	-	-	-	(3,758)	-	-	-	-	-	-	-	(3,758)
At 31 December 2018	-	1,139,374	618,504	4,561,158	138,531	67,067	-	67,144	75,751	82,905	409,773	7,160,207
<b>Net carrying amount</b>												
At 31 December 2018	1,467,419	9,578,614	1,507,193	4,673,351	61,754	10,758	-	48,056	18,652	134,525	177,544	17,677,866
At 31 December 2017	1,467,419	9,792,974	1,372,227	5,365,857	79,931	17,005	160,000	59,576	28,046	166,015	201,841	18,710,891

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

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

#### Assets pledged as securities to financial institutions

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

	2018 RM	Group 2017 RM
Freehold land	1,467,419	1,467,419
Buildings	9,578,614	9,792,974
	<u>11,046,033</u>	<u>11,260,393</u>

#### Assets held under finance leases

The details of assets under finance lease are:-

	2018 RM	Group 2017 RM
Motor vehicles:-		
Additions during the financial year	566,583	365,968
Net carrying amount	<u>1,369,453</u>	<u>1,225,810</u>

Leased assets are pledged as securities for the related finance lease liabilities.

### 6. SUBSIDIARIES

#### Investment in subsidiaries

	2018 RM	Company 2017 RM
Unquoted shares, at cost	<u>17,299,900</u>	<u>17,299,900</u>

## 6. SUBSIDIARIES (CONT'D)

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

Name of companies	Effective ownership interest and voting interest		Principal activities	Principal place of business/ country of incorporation
	(%)	(%)		
	2018	2017		
Plon Synergy Group Sdn. Bhd.	100	100	Investment holding company	Malaysia
<b>Subsidiaries of Plon Synergy Group Sdn. Bhd.</b>				
1. PeterLabs Sdn. Bhd.	100	100	Trading of animal health and nutrition products	Malaysia
2. Osmosis Nutrition Sdn. Bhd.	100	100	Manufacturing and distribution of animal health and nutrition products	Malaysia
3. OMS Resources Sdn. Bhd.	100	100	Trading of animal health and nutrition products	Malaysia

All the above subsidiaries are audited by Grant Thornton Malaysia.

(b) **Amount due from subsidiaries**

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

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 7. INVENTORIES

	2018 RM	Group 2017 RM
Raw materials	2,652,734	4,030,394
Finished goods	7,512,889	5,615,390
Trading goods	15,312,571	7,592,793
	<u>25,478,194</u>	<u>17,238,577</u>
<b>Recognised in profit or loss:-</b>		
Inventories recognised in cost of sales	66,527,757	67,595,264
Inventories written down	2,119	68,815
Reversal of inventories written down	(54,121)	(112,307)

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

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

### 8. TRADE RECEIVABLES

	2018 RM	Group 2017 RM
Trade receivables	23,236,769	23,592,087
Less: Provision for expected credit losses	(157,570)	(133,656)
	<u>23,079,199</u>	<u>23,458,431</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 120 days (2017: 30 to 120 days). Other credit terms are assessed and approved by the management on case-by-case basis.

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

	2018 RM	Group 2017 RM
US Dollar ("USD")	106,691	66,000
Singapore Dollar ("SGD")	2,021	-
Chinese Yuan ("CNY")	273,137	-

**8. TRADE RECEIVABLES (CONT'D)**

(c) The expected credit losses as at 31 December 2018 and 1 January 2018 are determined as follows:-

	Current RM	<30 days RM	Days past due 30-60 days RM	61-90 days RM	>91 days RM	Total RM
<b>1 January 2018</b>						
Expected credit losses rate	0.42388%	0.61052%	0.73004%	0.96334%	1.14003%	-
Estimated total gross carrying amount	17,578,121	2,961,075	1,217,878	1,068,369	766,644	23,592,087
Expected credit losses	74,511	18,078	8,891	10,292	8,740	120,512
<b>31 December 2018</b>						
Expected credit losses rate	0.51992%	0.61790%	0.75955%	1.04002%	1.90995%	-
Estimated total gross carrying amount	12,228,365	5,198,728	3,121,566	1,515,357	1,172,753	23,236,769
Expected credit losses	63,578	32,123	23,710	15,760	22,399	157,570

(d) The closing balance of the trade receivables loss allowance as at 31 December 2018 reconciles with the trade receivables loss allowance opening balance is as follows:-

	2018 RM	2017 RM
Loss allowance as at 1 January calculated under MFRS 139	133,656	377,439
Amounts restated through opening unappropriated profits	(13,144)	-
Loss allowance as at 1 January 2018	120,512	377,439
Loss allowance recognised during the financial year	44,894	-
Loss allowance unused and reversed during the financial year	(7,836)	(243,783)
Loss allowance as at 31 December	157,570	133,656

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



## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 9. OTHER RECEIVABLES

	2018 RM	Group 2017 RM
Advances to suppliers	345,778	1,983,848
Deposits	100,152	92,764
GST receivable	141,283	174,893
Non-trade receivables	5,289	1,046
Prepayments	217,589	191,029
	810,091	2,443,580
	2018 RM	Company 2017 RM
Deposits	1,000	1,000
Prepayments	10,208	12,250
	11,208	13,250

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

	2018 RM	Group 2017 RM
Thai Baht ("THB")	-	15,437
EURO	160,671	22,791
US Dollar ("USD")	185,107	506,279

### 10. CASH AND BANK BALANCES

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

	2018 RM	Group 2017 RM
US Dollar ("USD")	86,015	176,826

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 11. SHARE CAPITAL

	2018 Unit	Group and Company 2017 Unit	2018 RM	2017 RM
<b>Issued and fully paid:-</b>				
At beginning of financial year	214,739,900	206,800,000	27,459,485	20,680,000
Transfer from share premium	-	-	-	4,476,914
Issuance of shares	-	7,939,900	-	2,302,571
At end of financial year	214,739,900	214,739,900	27,459,485	27,459,485

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

### 12. UNAPPROPRIATED PROFITS

As at the end of the reporting year, the Company is under single tier tax system. Accordingly, the entire unappropriated profits as at 31 December 2018 of the Company are available for distribution as dividend under the single tier tax system.

### 13. FINANCE LEASE LIABILITIES

	2018 RM	Group 2017 RM
Minimum lease payments		
- not later than 1 year	459,900	337,680
- later than 1 year but not later than 5 years	978,062	870,041
	1,437,962	1,207,721
Less: Future finance charges on finance lease	(116,592)	(108,591)
Present value of finance lease liabilities	1,321,370	1,099,130
Present value of finance lease liabilities		
- not later than 1 year	403,706	287,843
- later than 1 year but not later than 5 years	917,664	811,287
	1,321,370	1,099,130

The effective interest rates of finance lease facilities ranged from 4.55% to 6.09% (2017: 4.55% to 7.24%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 14. BORROWINGS

	2018 RM	Group 2017 RM
<b>Non-current</b>		
Secured:-		
Term loan	3,444,557	4,380,333
<b>Current</b>		
Secured:-		
Term loan	964,159	912,500
Bankers' acceptance	2,221,000	-
Unsecured:-		
Structured commodity financing	1,779,397	7,429,849
	4,964,556	8,342,349
Total	8,409,113	12,722,682

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.

Unsecured borrowings were obtained by way of a letter of negative pledge and corporate guarantee from the Company.

The term loan bears interest at rates ranging from 5.04% to 5.54% (2017: 5.19% to 5.29%) per annum and is repayable by 335 (2017: 335) equal monthly installment commencing after the full release of the loan.

The bankers' acceptance bears interest at rates ranging from 4.31% to 4.78% (2017: 4.30% to 4.64%) per annum.

The structured commodity financing bear interest rates of 4.26% to 4.90% (2017: 4.30% to 4.55%) per annum.

### 15. DEFERRED TAX LIABILITIES

	2018 RM	Group 2017 RM
At 1 January	711,000	359,000
Recognised (from)/in profit or loss	(271,000)	352,000
At 31 December	440,000	711,000

**15. DEFERRED TAX LIABILITIES (CONT'D)**

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

	2018 RM	Group 2017 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	1,153,000	1,213,000
Unutilised capital allowances	(202,000)	-
Unutilised reinvestment allowances	(511,000)	(502,000)
	440,000	711,000

**16. TRADE PAYABLES**

The trade payables are non-interest bearing and the normal credit terms granted by the trade payables ranged from cash term to 30 to 90 days (2017: 30 to 90 days).

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

	2018 RM	Group 2017 RM
US Dollar ("USD")	2,164,928	775,857
Singapore Dollar ("SGD")	-	82,406
Thai Baht ("THB")	-	6,529
EURO	64,999	-

**17. OTHER PAYABLES**

	2018 RM	Group 2017 RM
Accruals of expenses	3,511,774	2,414,945
Commission payable	1,790,840	1,118,699
GST payable	-	180,826
Non-trade payables	688,337	510,617
	5,990,951	4,225,087

	2018 RM	Company 2017 RM
Non-trade payables	6,373	-
Accruals of expenses	146,696	156,100
	153,069	156,100

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 17. OTHER PAYABLES (CONT'D)

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

	2018 RM	Group 2017 RM
Singapore Dollar ("SGD")	3,987	1,996
Thai Baht ("THB")	8,763	-

### 18. REVENUE

#### Group

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

	Manufacturing RM	Trading RM	Total RM
<u>2018</u>			
<b>Geographical market</b>			
Bangladesh	563,342	-	563,342
China	843,153	-	843,153
Indonesia	-	2,065,228	2,065,228
Malaysia	407,715	84,473,839	84,881,554
Others	1,364,302	701,870	2,066,172
	<u>3,178,512</u>	<u>87,240,937</u>	<u>90,419,449</u>
	Manufacturing RM	Trading RM	Total RM
<u>2017</u>			
<b>Geographical market</b>			
Bangladesh	11,175,190	-	11,175,190
Indonesia	-	5,837,013	5,837,013
Malaysia	310,201	75,528,119	75,838,320
Others	862,299	1,021,900	1,884,199
	<u>12,347,690</u>	<u>82,387,032</u>	<u>94,734,722</u>

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

	Manufacturing RM	Trading RM	Total RM
<u>2018</u>			
Goods transferred at a point in time	<u>3,178,512</u>	<u>87,240,937</u>	<u>90,419,449</u>
	Manufacturing RM	Trading RM	Total RM
<u>2017</u>			
Goods transferred at a point in time	<u>12,347,690</u>	<u>82,387,032</u>	<u>94,734,722</u>

#### Company

Revenue represents dividend income.

NOTES TO THE FINANCIAL  
STATEMENTS – 31 DECEMBER 2018 (CONT'D)

**19. OTHER INCOME**

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Bad debts recovered	1,800	2,800	-	-
Gain on disposal of property, plant and equipment	17,394	54,434	-	-
Reversal of expected credit losses	7,836	243,783	-	-
Interest income	93,929	113,474	1,000	4,955
Reversal of inventories written down	54,121	112,307	-	-
Unrealised gain on foreign exchange	34,892	4,871	-	-

**20. OTHER EXPENSES**

	Group	
	2018 RM	2017 RM
Bad debts written off	13,041	-
Provision for expected credit losses	44,894	-
Inventories written down	2,119	68,815
Written off on property, plant and equipment	1,367	-
Realised loss on foreign exchange	132,985	122,824

**21. FINANCE COSTS**

	Group	
	2018 RM	2017 RM
Bankers' acceptance interest	117,137	14,975
Structured commodity financing interest	299,935	145,818
Finance lease interest	61,732	54,299
Term loan interest	318,349	296,201

**22. PROFIT/(LOSS) BEFORE TAX**

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors' remuneration				
- fee	120,000	120,000	120,000	120,000
- other emoluments	2,531,444	2,149,854	-	-
Rental expenses	174,000	174,000	-	-

NOTES TO THE FINANCIAL  
STATEMENTS – 31 DECEMBER 2018 (CONT'D)

23. TAX EXPENSE/(INCOME)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysian income tax:-				
Current tax				
- current year	1,999,275	1,346,423	-	1,115
- (over)/under provision in prior year	(76,491)	31,438	(1)	17
Total current tax recognised in profit or loss	1,922,784	1,377,861	(1)	1,132
Deferred tax				
- origination and reversal of temporary differences	(158,000)	302,000	-	-
- (over)/ under provision in prior year	(113,000)	50,000	-	-
Total deferred tax recognised in profit or loss	(271,000)	352,000	-	-
Total tax expense/(income)	1,651,784	1,729,861	(1)	1,132

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	5,449,314	5,737,357	(314,472)	2,329,061
Tax at Malaysian statutory tax rate of 24%	1,307,835	1,376,966	(75,473)	558,975
Tax effects in respect of:-				
Expenses not deductible for tax	721,966	691,006	75,473	78,140
Deferred tax (over)/under recognised in prior year	(113,000)	50,000	-	-
Income not subject to tax	(188,526)	(419,549)	-	(636,000)
(Over)/Under provision of tax expense in prior year	(76,491)	31,438	(1)	17
Total tax expense/(income)	1,651,784	1,729,861	(1)	1,132

The Group's unutilised reinvestment allowances and unutilised capital allowance which can be carried forward to offset against future taxable profit amounted to approximately RM2,129,000 (2017: RM2,092,000) and RM840,000 (2017: Nil) respectively.

## 24. 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:-

	2018 RM	Group 2017 RM
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	3,797,530	4,007,496
Weighted average number of ordinary shares at 1 January	214,739,900	206,800,000
Effect of ordinary shares issued during the financial year	-	4,829,199
Weighted average number of ordinary shares at 31 December	214,739,900	211,629,199
Basic earnings per share (sen)	1.77	1.89

#### Diluted earnings per ordinary share

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

## 25. EMPLOYEE BENEFITS EXPENSE

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Salaries, wages and other emoluments	7,428,296	6,538,539	120,000	120,000
Social security contributions	52,138	44,733	-	-
Defined contribution plan	720,366	641,671	-	-
	8,200,800	7,224,943	120,000	120,000

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

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Executive Directors:-</b>				
<u>Directors of the Company</u>				
Salaries and other emoluments	1,521,197	1,074,776	-	-
Bonus	449,000	503,671	-	-
Defined contribution plans	225,240	158,160	-	-
Total Executive Directors' remuneration	2,195,437	1,736,607	-	-



## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

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

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

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
<b>Executive Directors:-</b>				
<u>Directors of the subsidiaries</u>				
Salaries and other emoluments	269,383	290,895	-	-
Bonus	35,238	88,524	-	-
Defined contribution plans	31,386	33,828	-	-
Total Executive Directors' remuneration	336,007	413,247	-	-
<b>Non-Executive Directors:-</b>				
<u>Existing Directors of the Company</u>				
Fees	120,000	120,000	120,000	120,000
<u>Other additional disclosures</u>				
Insurance premium paid for indemnity coverage and insurance effected for Directors	19,542	5,250	19,542	5,250

### 26. CAPITAL COMMITMENT

	2018 RM	Group 2017 RM
Authorised and contracted for:		
- Plant and machinery	-	48,000

### 27. CONTINGENT LIABILITY

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

	2018 RM	Company 2017 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries		
- Utilised	8,409,113	12,722,682
- Limit	33,450,000	33,450,000

## 28. RELATED PARTY DISCLOSURES

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

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

### Transaction with subsidiaries

	2018 RM	Company 2017 RM
Dividend income received	-	2,650,000

### Transaction with certain Directors

	Group and Company 2018 RM	2017 RM
Professional fee charged by a company in which a Director has interest	60,782	64,747

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

Key management personnel is 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.

Key management personnel includes all the Directors of the Company and its subsidiaries of 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 22 and 25 to the Financial Statements.

## 29. FINANCIAL INSTRUMENTS

### Financial Risk Management

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

The following sections explain key risks faced by the Group and its management. Financial assets and liabilities of the Group are summarised in Note 3.5 to the Financial Statements.

#### (a) Credit risk

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

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Financial Risk Management (cont'd)

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

###### Exposure to credit risk

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

	2018 RM	Group 2017 RM
<b>Classes of financial assets:-</b>		
Cash and bank balances	5,594,854	7,032,806
Trade receivables	23,079,199	23,458,431
Other receivables	451,219	2,077,658
Carrying amount	29,125,272	32,568,895
	2018 RM	Company 2017 RM
<b>Classes of financial assets:-</b>		
Cash and bank balances	12,216	2,827,724
Other receivables	1,000	1,000
Amount due from subsidiaries	11,328,153	10,118,153
Carrying amount	11,341,369	12,946,877

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

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

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

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management (cont'd)

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

##### Credit risk concentration

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

	2018 RM	Group 2017 RM
<b>By country:-</b>		
Malaysia	22,936,821	23,392,883
Pakistan	103,487	-
Thailand	38,891	-
Indonesia	-	65,548
	23,079,199	23,458,431

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

	2018 RM	Group 2018 %	2017 RM	2017 %
Top 2 (2017: 2) customers	3,213,805	14	6,536,947	28

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

##### Financial guarantee/Corporate guarantee

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

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

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are 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 – 31 DECEMBER 2018 (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Financial Risk Management (cont'd)

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

###### Intercompany loans and advances

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

The Company provides unsecured loans and advances to subsidiaries and monitors the results of the subsidiaries regularly.

As at the end of the reporting year, there was no indication that the loans and advances to the subsidiaries are not recoverable.

##### (b) Liquidity risk

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

###### Analysis of financial instruments by remaining contractual maturities

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

2018 Group	Carrying amount RM	Contractual cash flows			
		Total	Current	Non-current	
		RM	On demand/ Within 1 year RM	2 to 5 years RM	More than 5 years RM
<b>Non-derivative financial liabilities</b>					
Borrowings	8,409,113	9,091,384	5,150,537	2,668,442	1,272,405
Finance lease liabilities	1,321,370	1,437,962	459,900	978,062	-
Trade payables	7,786,724	7,786,724	7,786,724	-	-
Other payables	5,990,951	5,990,951	5,990,951	-	-
Total undiscounted financial liabilities	23,508,158	24,307,021	19,388,112	3,646,504	1,272,405
<b>Company</b>					
<b>Non-derivative financial liabilities</b>					
Other payables	153,069	153,069	153,069	-	-
Total undiscounted financial liabilities	153,069	153,069	153,069	-	-
Corporate guarantee	-	8,409,113	8,409,113	-	-

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**Financial Risk Management (cont'd)**

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

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

2017 Group	Carrying amount RM	Total RM	Contractual cash flows		
			Current On demand/ Within 1 year RM	Non-current 2 to 5 years RM	Non-current More than 5 years RM
Non-derivative financial liabilities					
Borrowings	12,722,682	13,706,390	8,592,361	3,334,316	1,779,713
Finance lease liabilities	1,099,130	1,207,721	337,680	870,041	-
Trade payables	4,260,915	4,260,915	4,260,915	-	-
Other payables	4,044,261	4,044,261	4,044,261	-	-
Total undiscounted financial liabilities	22,126,988	23,219,287	17,235,217	4,204,357	1,779,713
Company					
Non-derivative financial liabilities					
Other payables	156,100	156,100	156,100	-	-
Total undiscounted financial liabilities	156,100	156,100	156,100	-	-
Corporate guarantee	-	12,722,682	12,722,682	-	-

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

**(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.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### Financial Risk Management (cont'd)

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

##### Interest rate sensitivity analysis

At 31 December 2018, 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.

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:-

	2018 RM	Group 2017 RM
<b>Fixed rate instruments</b>		
<u>Financial liabilities</u>		
Bankers' acceptance	2,221,000	-
Structure commodity financing	1,779,397	7,429,849
Finance lease liabilities	1,321,370	1,099,130
	5,321,767	8,528,979
<b>Floating rate instruments</b>		
<u>Financial liability</u>		
Term loan	4,408,716	5,292,833

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (2017: +/- 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.

	2018 RM	Group 2017 RM
<u>Effect on profit for the year/Equity</u>		
+ 25bp (2017: + 25bp)	(11,022)	(13,232)
- 25bp (2017: - 25bp)	11,022	13,232

## 29. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management (cont'd)

#### (d) Foreign currency risk

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

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

	USD RM	EUR RM	SGD RM	THB RM	CNY RM
<u>2018</u>					
Financial assets	377,813	160,671	2,021	-	273,137
Financial liabilities	(2,164,928)	(64,999)	(3,987)	(8,763)	-
Net exposure	(1,787,115)	95,672	(1,966)	(8,763)	273,137
<u>2017</u>					
Financial assets	749,105	22,791	-	15,437	-
Financial liabilities	(775,857)	-	(84,402)	(6,529)	-
Net exposure	(26,752)	22,791	(84,402)	8,908	-

#### 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% (2017: 1%) change of the RM/USD, RM/EUR, RM/SGD, RM/THB and RM/CNY exchange rate for the financial year end. These percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting year.

If the RM had strengthened against the USD, EUR, SGD, THB and CNY by 1% (2017: 1%) then this would have had the following impact:-

	-----Effect on profit for the year -----				
	USD RM	EUR RM	SGD RM	THB RM	CNY RM
31 December 2018	(17,871)	957	(20)	(88)	2,731
31 December 2017	(268)	228	(844)	89	-

If RM had weakened against the USD, EUR, SGD, THB and CNY by 1% (2017: 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.



## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Group	2018 %	2017 %
Bankers' acceptance	4.31 – 4.78	4.30 – 4.64
Structured commodity financing	4.26 – 4.90	4.30 – 4.55
Finance lease liabilities	4.55 – 6.09	4.55 – 7.24
Term loan	5.04 – 5.54	5.19 – 5.29

#### Fair value hierarchy

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

### 31. CATEGORIES OF FINANCIAL INSTRUMENTS

#### Categories of financial instruments under MFRS 9 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>31.12.2018</b>			
<b>Financial assets</b>			
Trade receivables	23,079,199	23,079,199	-
Other receivables	451,219	451,219	-
Cash and bank balances	5,594,854	5,594,854	-
	<b>29,125,272</b>	<b>29,125,272</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade payables	7,786,724	-	7,786,724
Other payables	5,990,951	-	5,990,951
Finance lease liabilities	1,321,370	-	1,321,370
Borrowings	8,409,113	-	8,409,113
	<b>23,508,158</b>	<b>-</b>	<b>23,508,158</b>

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

#### Categories of financial instruments under MFRS 9 Financial Instruments (cont'd)

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

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

Group (cont'd)	Carrying amount RM	FA RM	OFL RM
<b>1.1.2018</b>			
<b>Financial assets</b>			
Trade receivables	23,471,575	23,471,575	-
Other receivables	2,077,658	2,077,658	-
Cash and bank balances	7,032,806	7,032,806	-
	32,582,039	32,582,039	-
<b>Financial liabilities</b>			
Trade payables	4,260,915	-	4,260,915
Other payables	4,044,261	-	4,044,261
Finance lease liabilities	1,099,130	-	1,099,130
Borrowings	12,722,682	-	12,722,682
	22,126,988	-	22,126,988
<b>Company</b>			
<b>31.12.2018</b>			
<b>Financial assets</b>			
Other receivables	1,000	1,000	-
Amount due from subsidiaries	11,328,153	11,328,153	-
Cash and bank balances	12,216	12,216	-
	11,341,369	11,341,369	-
<b>Financial liability</b>			
Other payables	153,069	-	153,069
<b>1.1.2018</b>			
<b>Financial assets</b>			
Other receivables	1,000	1,000	-
Amount due from subsidiaries	10,118,153	10,118,153	-
Cash and bank balances	2,827,724	2,827,724	-
	12,946,877	12,946,877	-
<b>Financial liability</b>			
Other payables	156,100	-	156,100

# NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

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

### Categories of financial instruments under MFRS 139 Financial Instruments: Recognition and Measurement

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

- (a) Loans and receivables ("L&R"); and  
(b) Other financial liabilities measured at amortised cost ("AC").

Group	Carrying amount RM	L&R RM	AC RM
<b>31.12.2017</b>			
<b>Financial assets</b>			
Trade receivables	23,458,431	23,458,431	-
Other receivables	2,077,658	2,077,658	-
Cash and bank balances	7,032,806	7,032,806	-
	<b>32,568,895</b>	<b>32,568,895</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade payables	4,260,915	-	4,260,915
Other payables	4,044,261	-	4,044,261
Finance lease liabilities	1,099,130	-	1,099,130
Borrowings	12,722,682	-	12,722,682
	<b>22,126,988</b>	<b>-</b>	<b>22,126,988</b>
<b>Company</b>			
<b>31.12.2017</b>			
<b>Financial assets</b>			
Other receivables	1,000	1,000	-
Amount due from subsidiaries	10,118,153	10,118,153	-
Cash and bank balances	2,827,724	2,827,724	-
	<b>12,946,877</b>	<b>12,946,877</b>	<b>-</b>
<b>Financial liability</b>			
Other payables	156,100	-	156,100

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

### 2018

Group	1 January 2018 RM	Cash flow RM	Other RM	31 December 2018 RM
- Term loan	5,292,833	(884,117)	-	4,408,716
- Finance lease liabilities	1,099,130	(344,343)	566,583	1,321,370
	<b>6,391,963</b>	<b>(1,228,460)</b>	<b>566,583</b>	<b>5,730,086</b>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

2017

	1 January 2017 RM	Cash flow RM	Other RM	31 December 2017 RM
<b>Group</b>				
- Term loan	6,181,838	(889,005)	-	5,292,833
- Finance lease liabilities	1,048,905	(315,743)	365,968	1,099,130
	7,230,743	(1,204,748)	365,968	6,391,963

### 33. 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 finance lease liabilities, term loan and bankers' acceptance while owners' equity refers to the equity attributable to the owners of the Group.

	Group 2018 RM	2017 RM
Interest bearing borrowings		
- Finance lease liabilities	1,321,370	1,099,130
- Bankers' acceptance	2,221,000	-
- Structure commodity financing	1,779,397	7,429,849
- Term loan	4,408,716	5,292,833
Total interest bearing borrowings	9,730,483	13,821,812
Owners' equity	48,263,071	45,740,836
Gearing ratio	0.20	0.30

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

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

### 34. OPERATING SEGMENTS – GROUP

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

Manufacturing : Manufacturing and distribution of animal health and nutrition products  
Trading : Trading and distribution of animal health and nutrition products

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

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

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

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

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

NOTES TO THE FINANCIAL  
STATEMENTS – 31 DECEMBER 2018 (CONT'D)

**34. OPERATING SEGMENTS – GROUP (CONT'D)**

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
<b>2017</b>						
<b>Revenue</b>						
External revenue		12,347,690	82,387,032	-	-	94,734,722
Inter-segment revenue	<b>A</b>	28,644,116	7,637,513	5,250,000	(41,531,629)	-
Total revenue		40,991,806	90,024,545	5,250,000	(41,531,629)	94,734,722
<b>Results</b>						
Interest income		19,423	89,096	4,955	-	113,474
Finance costs		(392,884)	(118,409)	-	-	(511,293)
Depreciation		(1,254,393)	(304,663)	-	-	(1,559,056)
Other non-cash income	<b>B</b>	11,303	335,277	-	-	346,580
Tax expense		(490,295)	(1,238,434)	(1,132)	-	(1,729,861)
Segment profit	<b>C</b>	1,507,970	3,276,327	4,872,692	(5,251,674)	4,405,315
<b>Assets</b>						
Additions to non-current assets other than financial instruments and deferred tax assets	<b>D</b>	1,128,850	397,191	-	-	1,526,041
Segment assets	<b>E</b>	27,031,399	37,457,910	4,407,979	(13,003)	68,884,285
<b>Liabilities</b>						
Segment liabilities	<b>F</b>	2,824,034	5,499,948	162,020	-	8,486,002

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018 (CONT'D)

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

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

A. Intersegment revenues are eliminated on consolidation.

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

	2018 RM	2017 RM
Bad debts written off	(13,041)	-
Inventories written down	(2,119)	(68,815)
Provision for expected credit losses	(44,894)	-
Gain on disposal of property, plant and equipment	17,394	54,434
Reversal of expected credit losses	7,836	243,783
Property, plant and equipment written off	(1,367)	-
Reversal of inventories written down	54,121	112,307
Unrealised gain on foreign exchange	34,892	4,871
	<u>52,822</u>	<u>346,580</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:-

	2018 RM	2017 RM
Segment profit	4,500,754	4,405,315
Interest income	93,929	113,474
Finance costs	(797,153)	(511,293)
Profit after tax	<u>3,797,530</u>	<u>4,007,496</u>

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

	2018 RM	2017 RM
Property, plant and equipment	<u>767,862</u>	<u>1,526,041</u>

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

	2018 RM	2017 RM
Segment assets	72,640,204	68,884,285
Tax recoverable	168,811	37,579
Total assets	<u>72,809,015</u>	<u>68,921,864</u>

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

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

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

	2018 RM	2017 RM
Segment liabilities	13,777,675	8,486,002
Deferred tax liabilities	440,000	711,000
Finance lease liabilities	1,321,370	1,099,130
Borrowings	8,409,113	12,722,682
Tax payable	597,786	162,214
Total liabilities	24,545,944	23,181,028

#### Geographical segment

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

Group	Non-current Assets RM
<b><u>2018</u></b>	
Malaysia	17,677,866
<b><u>2017</u></b>	
Malaysia	18,710,891

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

	2018 RM	2017 RM
Property, plant and equipment	17,677,866	18,710,891

Revenue information based on the geographical location of the customers are disclosed in Note 18 to the Financial Statements.



# ANALYSIS OF SHAREHOLDINGS AS AT 29 MARCH 2019

## SHARE CAPITAL

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

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

No. of Shareholders	Size of Shareholdings	No. of Shares Held	% of Shares
16	Less than 100	715	*
106	100 to 1,000	69,700	0.03
274	1,001 to 10,000	1,827,900	0.85
490	10,001 to 100,000	19,903,031	9.27
151	100,001 to less than 5% of issued shares	129,025,207	60.08
4	5% and above of the issued shares	63,913,347	29.76
<b>1,041</b>	<b>TOTAL</b>	<b>214,739,900</b>	<b>100.00</b>

\* Less than 0.01%

## LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (AS PER THE RECORD OF DEPOSITORS)

	Name of Shareholders	No. of Shares Held	Percentage (%)
1.	Teo Chin Heng	21,270,109	9.91
2.	GL Equity Partners Limited	18,800,000	8.75
3.	Lim Tong Seng	12,943,238	6.03
4.	JF Apex Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fatfish Ventures Sdn Bhd (MARGIN)</i>	10,900,000	5.08
5.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Fatfish Ventures Sdn Bhd</i>	9,947,800	4.63
6.	Hoifutinhong Sdn Bhd	9,238,500	4.30
7.	Teo Kooi Cheng	6,551,000	3.05
8.	Kho Siaw Sua	6,400,000	2.98
9.	Lau Yeng Khuan	6,170,645	2.87
10.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Siah Tian Yee (E-TJJ)</i>	5,985,200	2.79
11.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Yee Foong</i>	4,909,000	2.29
12.	Chan Bee Chuan	4,550,000	2.12
13.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Swee Hwa (T CONNAUGHT-CL)</i>	3,874,300	1.80
14.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Kee Hor (E-TJJ)</i>	3,776,000	1.76
15.	Lau Kim Pou	3,632,238	1.69
16.	Chong Pow Choo	3,466,800	1.61
17.	Chieng Yi San	2,900,000	1.35
18.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chong Yoke Ching</i>	2,741,000	1.28
19.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Kee Hor (E-TSA/TPG)</i>	2,252,100	1.05
20.	Yap Yi Xuan	1,661,700	0.77
21.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Soon Hui (E-SJA)</i>	1,580,000	0.74

## ANALYSIS OF SHAREHOLDINGS AS AT 29 MARCH 2019 (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 (%)
22.	Kong Hieng Hung	1,540,000	0.72
23.	Kuang Jing Jing	1,522,400	0.71
24.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Sim Geh (7006496)</i>	1,450,200	0.68
25.	Yap Siaw Peng	1,350,058	0.63
26.	Hii Lay Yieng	1,310,100	0.61
27.	Goh Seow Khong	1,120,000	0.52
28.	Chieng Yew Mang	1,119,000	0.52
29.	Lee Joo Hian	1,103,800	0.51
30.	Chan Lai Ling	1,065,000	0.50
	<b>TOTAL</b>	<b>155,130,188</b>	<b>72.24</b>

### SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

	NAME OF SHAREHOLDERS	DIRECT	NO. OF SHARES HELD		%
			%	INDIRECT	
1.	Teo Chin Heng	21,270,109	9.91	-	-
2.	Fatfish Ventures Sdn Bhd	21,096,800	9.82	-	-
3.	GL Equity Partners Limited	18,800,000	8.75	-	-
4.	Lim Tong Seng	12,943,238	6.03	-	-
5.	Lau Kin Wai	-	-	*21,096,800	9.82

### 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.	Datuk Wira Dr. Goy Hong Boon	-	-	**3,466,800	1.61
3.	Lim Tong Seng	12,943,238	6.03	-	-
4.	Teo Chin Heng	21,270,109	9.91	-	-
5.	Lau Yeng Khuan	7,170,645	3.34	-	-
6.	Yap Siaw Peng	1,350,058	0.63	-	-
7.	Lau Kin Wai	-	-	*21,096,800	9.82
8.	Prof. Dr. Paul Cheng Chai Liou	-	-	-	-
9.	Dr. Vijaya Raghavan a/l M P Nair	-	-	-	-
10.	Azman bin Abdul Jalil	30,000	0.01	-	-

\* Deemed interested by virtue of his position as Director of Fatfish Ventures Sdn Bhd.

\*\* Deemed interested by virtue of the shares held by his spouse.

# LIST OF PROPERTIES AS AT 31 DECEMBER 2018

<b>Title No./ Location</b>	<ol style="list-style-type: none"> <li>GRN 212756/ Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan.</li> <li>HSD 151557/ No 38, Lorong Sungai Puloh 1A/ KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan.</li> </ol>
<b>Tenure</b>	Freehold
<b>Land Area/ Build-Up Area (Sq.Ft.)</b>	<ol style="list-style-type: none"> <li>141,276 / 52,474</li> <li>21,858 / 14,160</li> </ol>
<b>Description</b>	<ol style="list-style-type: none"> <li>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.</li> <li>3-Storey Semi Detached Office Block Cum Factory</li> </ol>
<b>Approximate Age of Building</b>	<ol style="list-style-type: none"> <li>8 year</li> <li>5 year</li> </ol>
<b>Net Book Value (RM'000)</b>	<ol style="list-style-type: none"> <li>6,431</li> <li>4,615</li> </ol>
<b>Date of Acquisition</b>	<ol style="list-style-type: none"> <li>22 April 2008</li> <li>20 June 2016</li> </ol>

# NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN THAT** the Ninth Annual General Meeting (“9th AGM”) of **PETERLABS HOLDINGS BERHAD** will be held at Springs I, Nilai Springs Resort Hotel, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Thursday, 30 May 2019** at **11.30 a.m.** for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon. **(See Explanatory Note 9)**
2. To approve the payment of Directors’ fees of RM120,000 for the financial year ended 31 December 2018. **(Ordinary Resolution 1)**
3. To re-elect the following Directors who are retiring under Article 90 of the Company’s Constitution:-
  - (i) Mr Lim Tong Seng **(Ordinary Resolution 2)**
  - (ii) Mr Teo Chin Heng **(Ordinary Resolution 3)**
  - (iii) Dr. Vijaya Raghavan a/l M P Nair **(Ordinary Resolution 4)**
4. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to fix their remuneration. **(Ordinary Resolution 5)**

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution:

5. **Ordinary Resolution**  
**Proposed Retention of Independent Directors**

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

- (i) Dato’ Hon Choon Kim **(Ordinary Resolution 6)**
  - (ii) Prof. Dr. Paul Cheng Chai Liou **(Ordinary Resolution 7)**
  - (iii) Dr. Vijaya Raghavan a/l M P Nair **(Ordinary Resolution 8)**
  - (iv) Encik Azman bin Abdul Jalil **(Ordinary Resolution 9)**
- (See Explanatory Note 10)**

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution:

6. **Ordinary Resolution**  
**Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 (“CA 2016”)** (Ordinary Resolution 10)  
(See Explanatory Note 11)

“**THAT** pursuant to Sections 75 and 76 of the CA 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company and the Directors be and are also empowered to obtain approval for the listing and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”
7. **Ordinary Resolution**  
**Proposed Removal of Director** (Ordinary Resolution 11)  
(See Explanatory Note 11)

“**THAT** Mr Lau Kin Wai be and is hereby removed from his office as Director of the Company with immediate effect.”
8. **Special Resolution**  
**Proposed Adoption of the New Constitution of the Company** (Special Resolution 1)  
(See Explanatory Note 13)

“**THAT** approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix I accompanying the Company’s Annual Report for the financial year ended 31 December 2018, be and is hereby adopted as the Constitution of the Company, **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”
9. To transact any other business of the Company for which due notice shall have been received in accordance with the CA 2016.

By Order of the Board  
**PETERLABS HOLDINGS BERHAD**

**WONG YUET CHYN (MAICSA 7047163)**  
Company Secretary  
Kuala Lumpur

30 April 2019

## Notes:

1. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account') there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.
6. To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 9th AGM.
8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

## Explanatory Notes on Ordinary Business

### 9. Audited Financial Statements for financial year ended 31 December 2018

The audited financial statements are laid in accordance with Section 340(1)(a) of the CA 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

## Explanatory Note on Special Business

### 10. Retention of Independent Non-Executive Directors

The Proposed Ordinary Resolutions 6, 7, 8 and 9 in Agenda 5, if passed, will allow Dato' Hon Choon Kim, Prof. Dr. Paul Cheng Chai Liou, Dr. Vijaya Raghavan a/l M P Nair and Encik Azman bin Abdul Jalil to be retained and continue acting as Independent Directors to fulfill the requirements of Rule 15.02 of Bursa Malaysia's ACE Market Listing Requirements and in line with the recommendation No. 4.2 of the Malaysian Code of Corporate Governance. The full details of the Board's justification and recommendations for the retention of Dato' Hon, Prof. Dr. Paul Cheng, Dr. Vijaya Raghavan and Encik Azman as Independent Directors are set out on Page 21 of the Board's Corporate Governance Overview Statement in the 2018 Annual Report.

### 11. Authority to Issue Shares Pursuant to Sections 75 and 76 of the CA 2016

Ordinary Resolution 10 is proposed for the purpose of granting a renewed General Mandate ("General Mandate"), which if passed, will empower the Directors of the Company, pursuant to Sections 75 and 76 of the CA 2016 to issue and allot new ordinary shares each in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up capital of the Company for the time being as the Directors may consider such action to be in the interest of the Company. The General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or during the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

As at the date of this Notice, no shares had been issued and allotted since the general mandate granted to the Directors at the last Annual General Meeting held on 30 May 2018 and this authority will lapse at the conclusion of the 9th AGM of the Company.

The Renewed Mandate will provide flexibility to the Company to raise funds, including but not limited to placing of shares, for purpose of funding future investment projects and/or working capital and/or acquisitions.

### 12. Proposed Removal of Director

A copy of the notice of requisition dated 12 April 2019 received from Mr. Kho Siaw Sua and Mr. Chan Bee Chuan incorporating a Special Notice under Section 206(3) and 322 of the CA 2016 is enclosed and set out as Appendix A.

### 13. Proposed Adoption of the New Constitution of the Company

The Special Resolution 1, if passed, will bring the Company's Constitution in line with the CA 2016 which came into force on 31 January 2017, the updated provisions of the ACE Market Listing Requirements and the prevailing statutory and regulatory requirements, details of which are set out in Appendix I accompanying the Company's Annual Report 2018. Pursuant to Section 36 of the CA 2016, the proposed adoption of the new Constitution of the Company, if passed as a Special Resolution by a majority of not less than 75% of the members who are entitled to vote, and do vote in person or by proxy, shall take immediate effect and it shall bind the Company and the members accordingly.

Date: 12 April 2019

From: Kho Siaw Sua  
No. 173 Lot 7718,  
Lorong Stampin Timur 4A,  
Jalan Stampin Timur,  
93350 Kuching,  
E. Malaysia.

And

Chan Bee Chuan  
No. 12,  
Taman Green View,  
88300 Kota Kinabalu,  
E. Malaysia.

To: The Board of Directors  
PETERLAB HOLDINGS BERHAD (909720-W)  
Lot 16014 (PT No.24341),  
Jalan Nilam 3,  
Bandar Nilai Utama,  
71800 Nilai, Negeri Sembilan,  
Malaysia.

BY HAND

Dear Sirs,

**PETERLABS HOLDINGS BERHAD**

**NOTICE OF REQUISITION PURSUANT TO SECTION 322 & 323 COMPANIES ACT 2016 - TO GIVE NOTICE OF A RESOLUTION WHICH MAY BE PROPERLY MOVED AND IS INTENDED TO MOVE AT THE 9<sup>TH</sup> ANNUAL GENERAL MEETING OF THE COMPANY**

---

We, Kho Siaw Sua (NRIC No.: 521015-13-5121) and Chan Bee Chuan (NRIC No.: 631226-13-5399), being the members of PETERLAB HOLDINGS BERHAD ("the Company") holding in aggregate 10,950,000 ordinary shares in the Company representing not less than two and a half per centum of the total issued and paid up share capital of the Company carrying the right of voting as at the date of this requisition, hereby give notice pursuant to Section 322 & 323 Companies Act 2016 for the purpose of considering and if thought fit, passing the following resolution, of which will be proposed as Ordinary Resolution with or without any modifications at the 9<sup>th</sup> Annual General Meeting of the Company:-

**"That Lau Kin Wai [NRIC No.: 760429-08-5505] be and is hereby removed from his office as Director of the Company with immediate effect."**

The Special Notice for the above proposed Ordinary Resolution pursuant to Section 322 is enclosed herewith as "Appendix A".



Please be informed that directors shall be required to give Notice of Resolution to Members of the Company upon receipt of this Requisition.

Thank you.

Yours faithfully,



.....  
**Kho Siaw Sua**  
(NRIC No.: 521015-13-5121)



.....  
**Chan Bee Chuan**  
(NRIC No.: 631226-13-5399)

c.c. **Shareworks Sdn Bhd**  
No. 2-1, Jalan Sri Hartamas 8,  
Sri Hartamas,  
50480 Kuala Lumpur,  
Wilayah Persekutuan Kuala Lumpur

**BY HAND**



APPENDIX A

To:       **The Board of Directors**  
**PETERLAB HOLDINGS BERHAD (909720-W)**  
Lot 16014 (PT No.24341),  
Jalan Nilam 3,  
Bandar Nilai Utama,  
71800 Nilai, Negeri Sembilan,  
Malaysia.

BY HAND

Dear Sirs,

**SPECIAL NOTICE OF RESOLUTION PURSUANT TO S.206 (3) AND 322 COMPANIES ACT 2016**

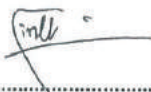
We, Kho Siaw Sua (NRIC No.: 521015-13-5121) and Chan Bee Chuan (NRIC No.: 631226-13-5399), being members of PETERLAB HOLDINGS BERHAD ("the Company"), hereby give notice pursuant to Section 206 (3) and Section 322 Companies Act 2016 of our intention to move the following Resolution as Ordinary Resolution during the Company's 9<sup>th</sup> Annual General Meeting:-

**"That Lau Kin Wai [NRIC No.: 760429-08-5505] be and is hereby removed from his office as Director of the Company with immediate effect."**

Please notify the Director named above that he is entitled to make representations pursuant to Section 207 of the Companies Act 2016.

Dated this

Yours faithfully,



.....  
**Kho Siaw Sua**  
**(NRIC No.: 521015-13-5121)**



.....  
**Chan Bee Chuan**  
**(NRIC No.: 631226-13-5399)**

1. A member of the Company entitled to attend and vote at this meeting may appoint one or more proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a General Meeting of the Company shall have the same rights as the member to speak at the General Meeting.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Depositories Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ('omnibus account') there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised.
6. To be valid the proxy form duly completed must be deposited at the registered office at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 May 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 9th AGM.
8. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

FOLD HERE

Stamp

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

Fold this flap for sealing



**PETERLABS  
HOLDINGS  
BERHAD**  
(909720-W)

**PETERLABS HOLDINGS BERHAD** (909720-W)

Lot 16014 (PT No. 24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai,  
Negeri Sembilan Darul Khusus.

Tel: +606 799 9090 | Fax: +606 799 7070 | Email: [info@peterlabs.com.my](mailto:info@peterlabs.com.my)  
Website: [www.peterlabs.com.my](http://www.peterlabs.com.my)