PETERLABS
HOLDINGS
BERHAD
(909720-W)

PETERLABS
Always S.H.A.R.E

Annual Report 2016

Contents

Vision

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

Mission

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

Value

"PeterLabs always SHARE…"

- **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.

Corporate **Profile**

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

Our Group is one of the leading specialists in manufacturing, distribution 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 is 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 currently is targeting to achieve ISO22000/HACCP Food Safety Management System and GMP+ B2.

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**

PeterLabs Holdings Berhad
(909720-W)
Investment Holding

100%

PLON Synergy Group Sdn Bhd
(598746-V)
Investment Holding

100%

PeterLabs Sdn Bhd
(594810-K)
Trading of animal health and nutrition products.

100%

Osmosis Nutrition Sdn Bhd
(594876-A)
Manufacturing, distribution and export of animal health and nutrition products.

100%

OMS Resources Sdn Bhd
(611524-W)
Trading of animal health and nutrition products.

Corporate Information

BOARD OF DIRECTORS

Dato' Hon Choon Kim
Independent Non-Executive Chairman

Lim Tong Seng
Managing Director

Teo Chin Heng
Executive Director

Lau Yeng Khuan
Executive Director

Yap Siaw Peng
Executive Director

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

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

Azman bin Abdul Jalil
Independent Non-Executive Director

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

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

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Bandar Nilai Utama, 71800 Nilai
Negeri Sembilan Darul Khusus
Tel : (606) 7999 090
Fax : (606) 7997 070
Email : info@peterlabs.com.my

CORPORATE WEBSITE

www.peterlabs.com.my

SHARE REGISTRAR

ShareWorks Sdn Bhd
2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 6201 1120
Fax : (603) 6201 3121

AUDITORS

SJ Grant Thornton (AF 0737)
Level 11, Bangunan 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
Affin Bank Berhad
Al-Rajhi Banking and Investment Corporation (Malaysia) Bhd

STOCK EXCHANGE LISTING

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

Milestones and **Achievements**

Year	Key achievements and milestones
2005	Special Recognition Award from CAB Cakaran Corporation Bhd ("CAB Cakaran"), a company listed on the Main Market of Bursa Securities - In recognition of PeterLabs' continuous technical support and supply of quality animal health and nutrition products to CAB Cakaran. CAB Cakaran is a leading integrated poultry producer with operations throughout Malaysia. PeterLabs has established a good business relationship with CAB Cakaran since 2002. We had conducted farmer forum and technical services for CAB Cakaran's contracted farmers in the past.
2007	PeterLabs collaborated with Novus International Inc, USA and introduced a series of eco-friendly animal feed additives, such as Activate DA and Mintrex. These 'green products' have been incorporated in our animal feed additive premix to enhance the Group's product performance namely feed intake, growth rate and feed conversion ratio ("FCR").
2009	PeterLabs collaborated with Hangzhou KingTechina Feed Co Ltd, China to launch and market a series of Microencapsulate feed additives. The process of microencapsulation will increase the product stability, palatability and bioavailability. The microencapsulated product has been incorporated into our animal feed additives to increase the therapeutic index. It has been proven to have a positive and synergistic effect with PeterLabs's product.
2009	Recognition Award from Novus International (M) Sdn Bhd ("Novus Malaysia") - In recognition of PeterLabs successfully introducing and creating a market in Malaysia for non-antibiotic animal feed additives under the brand name of Novus such as Activate DA and Mintrex.
2009	Recognition Award from In Vivo NSA S.A, France - In recognition of PeterLabs' successful marketing of animal feed additive products under the brand name of Neovia in the local market.
2004 to 2009	Recognition Award from Zeus Biotech Limited, India (continuously from 2004 to 2009) - In recognition of PeterLabs' successful marketing of probiotics and enzymes feed additives in the Malaysian market and achieving good sales performance.
2010	PeterLabs collaborated with Novus Malaysia to conduct the 1st PigLIVE workshop: "Sustainable Sow Management Programme" at Genting Highlands in August 2010. The workshop was attended by approximately 140 participants from East and West Malaysia, mainly pig farm owners and technical support staff.
2011	Awards and achievements in year 2011 - On 27 January 2011, the Company had received a letter from National Pharmaceutical Regulatory Agency ("NPRA") of the Ministry of Health, Malaysia, which stated our plant is Good Manufacturing Practice ("GMP") compliant. - Malaysian Livestock Industry Awards 2011 – Outstanding Animal Health Provider. - Best @ Show Awards – Most Popular Booth at Livestock Asia Expo & Forum 2011 Kuala Lumpur. - Named to the International Business Times List of 2011 Top 1000 World's Fastest Growing Companies. - SME 100 Malaysia's Fast Moving Companies 2011.
2013	Recognition Award for outstanding contribution made to the Livestock industry - Outstanding Product Innovation: Animal Health Product.

Directors' **Profile**

Dato' Hon Choon Kim
Malaysian, aged 69, Male
Independent Non-Executive Chairman

Dato' Hon was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. He was redesignated as Independent Non-Executive Chairman on 2 January 2012. He 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.

Lim Tong Seng
Malaysian, aged 58, Male
Managing Director

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

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

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

Teo Chin Heng
Malaysian, aged 64, Male
Executive Director

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

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

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

Directors' Profile (cont'd)

Lau Yeng Khuan
Malaysian, aged 57, Male
Executive Director

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

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

Yap Siaw Peng
Malaysian, aged 44, Female
Executive Director

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 of 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.

Prof. Dr. Paul Cheng Chai Liou
Malaysian, aged 70, Male
Senior Independent Non-Executive Director

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

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

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

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

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

Directors' **Profile** (cont'd)

Dr. Vijaya Raghavan a/l M P Nair
Malaysian, aged 78, Male
Independent Non-Executive Director

Dr. Vijaya was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. 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. He is also the Technical Chairman of the Malaysian Feed Millers Association.

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

Azman bin Abdul Jalil
Malaysian, aged 57, Male
Independent Non-Executive Director

Encik Azman was appointed to the Board on 1 November 2010 as our Independent Non-Executive Director. 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.

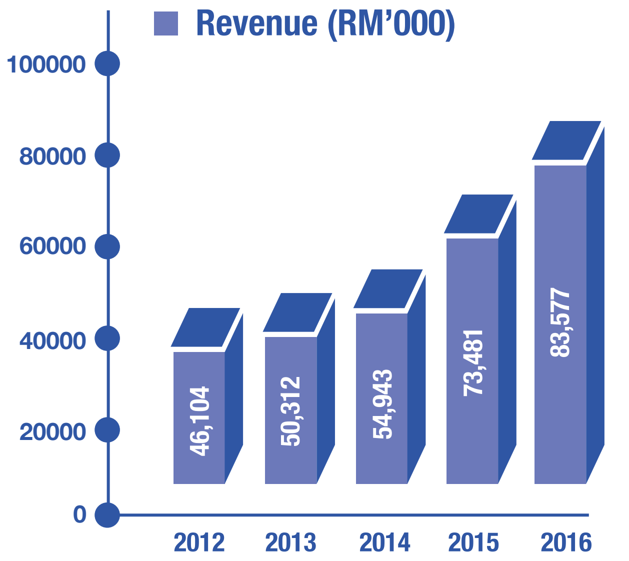
Encik Azman is a member of Malaysian Pharmaceutical Society, Parenteral Drug Association, and Institute of Validation Technology. He is also an exco-member of the International Society of Pharmaceutical Engineering (ISPE) of the Malaysian Affiliate.

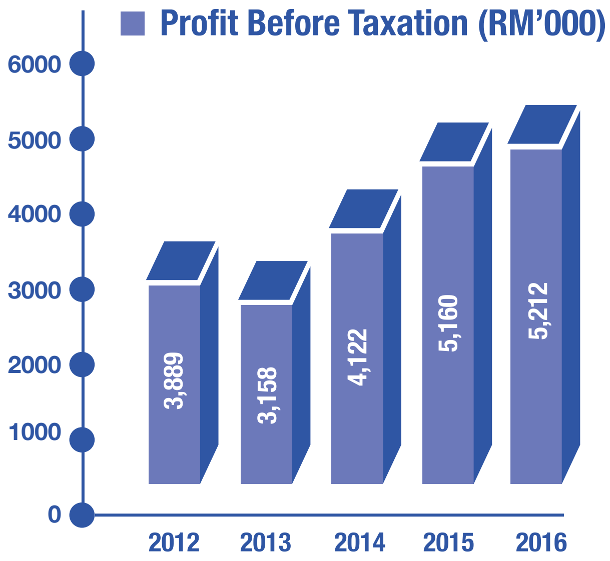
OTHER INFORMATION ON DIRECTORS

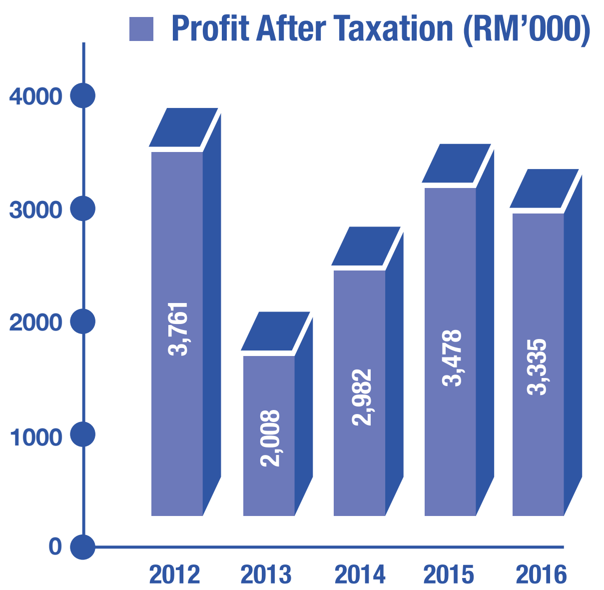
None of the Directors have any family relationship with any other Director or major shareholder of PeterLabs Holdings Berhad. None of the Directors have any conflict of interest with PeterLabs Holdings Berhad nor any conviction for offences (other than traffic offences, if any) for the past five (5) years.

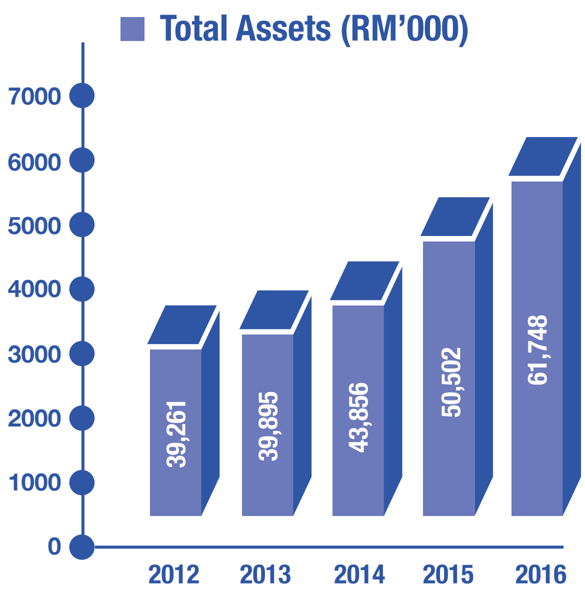
Five-Year
Financial Highlights

	2012	2013	2014	2015	2016
Revenue (RM'000)	46,104	50,312	54,943	73,481	83,577
Profit Before Taxation (RM'000)	3,889	3,158	4,122	5,160	5,212
Profit After Taxation (RM'000)	3,761	2,008	2,982	3,478	3,335
Shareholders' Equity (RM'000)	29,676	30,368	32,786	38,991	39,431
Total Assets (RM'000)	39,261	39,895	43,856	50,502	61,748
Earnings Per Share (Sen)	2.07	1.08	1.61	1.70	1.61
Net Assets Per Share (Sen)	16	16	17	20	19









Management
Discussion And Analysis

BUSINESS OPERATION

Our Group is one of the leading specialists in manufacturing, distribution and trading of animal health and nutrition products. Our Group 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 if 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 Control Bureau ("NPCB") 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 manufacturing plant in Klang was successfully commercialised its production in July 2016.

BUSINESS OBJECTIVE

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

FINANCIAL RESULT

This year, the Group marks our 6th year anniversary listed in Bursa Malaysia and there is indeed cause for celebration. Our Group financial year ended 31 December 2016 represented another record year, where once again our Group achieved historical high in full year Revenue and Profit Before Tax ("PBT").

The table below highlights the Group's key financial performance for financial year ended 31 December 2016:

	Financial Year Ended 31 December		Variance
	2016	2015	
	RM'000	RM'000	%
Revenue	83,577	73,481	13.74
Cost Of Sales	66,633	58,395	14.11
Gross Profit	16,944	15,086	12.32
Profit Before Tax	5,212	5,160	1.01
Profit After Tax	3,335	3,478	(4.11)
Gross Profit Margin	20.27%	20.53%	(0.26)

Management
Discussion And Analysis (cont'd)

Group Revenue for financial year ended 31 December 2016 increased by RM10.09 million or 13.74% compared with financial year ended 31 December 2015 were mainly due stronger local sales which grew 11.27% to RM72.80 million, as well as export sales which expanded by 33.79% to RM10.77 million. The stronger local sales was mainly due to our continuing penetrate the poultry segment. On the other hand, export sales continue to grow especially to Indonesia and Bangladesh which both countries contributed the majority of our export sales. Meanwhile, others export countries includes Brunei, Thailand, Nepal, Pakistan, Korea, Singapore, Taiwan and Philippines. However, the growth rate for export market is relatively small as compared to local sales in term of amount which was due to unfavorable regulation and operating requirement in certain export countries which caused our product difficult to penetrate in.

The table below highlights the Group's Local Sales and Export Sales for financial year ended 31 December 2016 and financial year ended 31 December 2015:

Group Revenue by Location

Particular	Financial Year Ended 31 December				Variance	
	2016		2015			
	RM'000	%	RM'000	%	RM'000	%
Local Sales	72,804	87.11	65,429	89.04	7,375	11.27
Export Sales	10,773	12.89	8,052	10.96	2,721	33.79
Total Sales	**83,577**	**100.00**	**73,481**	**100.00**	**10,096**	**13.74**

Gross profit margin for financial year ended 31 December 2016 reduced 0.26% as compared to financial year ended 31 December 2015 was mainly due to weak currency of our RM against USD which 60% of our import was dominated in USD currency. To mitigate against the risk of fluctuations in foreign exchange rate for the Group's import, the Group has entered the spot or forward forex contracts to lock in the current exchange rate. In addition to that, the Group is not fully passing on the increase cost to customers due to stiff competition from our competitors. Other factors which affected our gross profit margin were higher maintenance cost of plant and machinery in Nilai factory whereas higher direct operating cost from Klang new factory which only commercialized its production in July 2016 but need to absorb full year direct cost.

Other Income

	Financial Year Ended 31 December		Variance
	2016	2015	
	RM'000	RM'000	%
Other Income	1,203	1,273	(5.50)

The group total other income decreased by 5.50% mainly due to decrease in foreign exchange gain as compared to financial year ended 31 December 2015 mainly due to weakening our RM against major foreign currency such as USD, EURO, SGD, THB and RMB.

Other Operating Expenses

	Financial Year Ended 31 December		Variance
	2016	2015	
	RM'000	RM'000	%
Selling and Distribution Expenses	3,394	3,191	6.36
Administration Expenses	8,064	6,910	16.70
Other Expenses	1,062	729	45.68
Total	**12,520**	**10,830**	**15.60**

Management
Discussion And Analysis (cont'd)

Other Operating Expenses (cont'd)

Other operating expenses grew by 15.60% to RM12.52 million in financial year ended 31 December 2016 compared to RM10.83 million in financial year ended 31 December 2015, which include selling and distribution expenses continued to grow in tandem of achieving higher revenue both from local and export markets.

Administration cost increased 16.70% was mainly due to provision for staff bonus of RM0.55 million, depreciation of RM0.15 million, business travelling expenses of RM0.13 million, upkeep and maintenance of company motor vehicle of RM0.06 million, stamp duty and legal fee for new banking facility of RM0.11 million and increase in payroll cost of RM0.08 million, partly offset by lower training expenses.

Profit After Tax

The Group recorded a profit after tax ("PAT") of RM3.34 million for financial year ended 31 December 2016 compared to PAT of RM3.48 million recorded in financial year ended 31 December 2015, representing a decrease of RM0.14 million or approximately 4.11%. Lower PAT in this financial year arising from higher tax expenses incurred mainly due to higher effective tax rate due to lower tax incentive claim couple with certain expenses not allowed for deduction.

Trade Receivables

Trade receivables reduced by RM0.08 million primarily due to better collection which the net debtor turnover day has been reduced from 109 days in financial year ended 31 December 2015 to 96 days in financial year ended 31 December 2016. The better collection achieved in financial year ended 31 December 2016 was mainly due to continuous implementation of credit control policy has been practised with continuous monitoring collection before approval for delivering goods to slow pay customers.

However, higher provision of doubtful debt during the year under review which show an increase of RM0.25 million as compared to financial year ended 31 December 2015. The Group will continue to monitor collection in order to further reduce the provision for doubtful debt as per our credit control policy.

Cash and Bank Balances

The Group's cash and bank balances increased 53.44% to RM5.57 million from RM3.63 million was mainly due to better collection achieved despite revenue increased 13.74% in financial year ended 31 December 2016 as compared with financial year ended 31 December 2015.

Besides that, the Group has made advance payment of RM3.37 million to local and overseas suppliers for goods that will be shipped in next financial year ended 31 December 2017 as per payment term set by suppliers.

Dividends

Honouring its commitment to enhance shareholders value, the Board of Directors has proposed an interim dividend of 0.7 sen per share for financial year ended 31 December 2016 which showed a payout of totalled approximately RM1.45 million and a dividend payout ratio of 43.41%. The interim dividend has been disbursed on 24 January 2017 to the shareholders respectively.

Management Discussion And Analysis (cont'd)

Financial Condition

Strong Financial Condition With Healthy Cash Flows

	Financial Year Ended 31 December		Variance
	2016	2015	
	RM'000	RM'000	%
Total Assets	61,748	50,502	22.27
Total Liabilities	22,317	11,510	93.89
Total Equity	39,431	38,991	1.13
Total Borrowing	11,940	5,105	133.89
Cash and Bank Balances	5,568	3,634	53.22
Issue and Fully Paid Capital	20,680	20,680	-
Net Asset Per Share (sen)	19.07	18.85	1.17
Basic Earnings Per Share (sen)	1.61	1.70	(5.29)

At year end, the Group has cash of RM5.57 million, total current assets of RM37.28 million and total current liabilities of RM15.90 million. This resulted a quick ratio of 2.70 which means that the Group's ability to meet its short-term obligations with its most liquid assets.

Total borrowing stood at RM11.94 million, of which RM4.20 million has been utilized to fund the newly acquisition of one (1) unit of 3-Storey Semi Detached Office Block cum Factory Unit in Klang. The balance of loan was utilized mainly for financing payment to local and foreign suppliers.

Review Of Operating Activities

	Trading		Manufacturing		Grand Total	
	Financial Year Ended 31 December					
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net Revenue	76,800	65,780	6,777	7,701	83,577	73,481
Profit Before Tax	3,867	4,204	1,345	956	5,212	5,160
Profit After Tax	2,335	2,843	1,000	635	3,335	3,478
% of Contribution (Net Revenue)	91.89	89.52	8.11	10.48	-	-
% of Contribution (PAT)	70.02	81.75	29.98	18.25	-	-

Trading Segment

Trading segment remains 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 2016, trading segment contributed 91.89% of the Group's revenue and 70.02% of its profit after tax.

The Group is also expanding into 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 Nilai Plant is running at 70% capacity on a 10-hour shift or approximately 195 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 is manufacturing animal feed additives under the company's in house OsmoFAT brand. This new plant will bolster growth for the Group which will to cater for local demand and future export 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 500 tonnes and able to expand to 1,000 tonnes a month if the Company able to penetrate the China and others market which is still in the pipeline.

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 minimize 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, the Group 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 have 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 lays in our product development initiatives which are 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, the Group has sourced our supplies from a variety of suppliers. Furthermore, the Group is 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, the Group does not foresee any difficulties in sourcing similar products from any of our Group's existing distributors, or other suppliers in the market.

4) Fluctuation in prices of raw materials and products

One of the key issues encountered in the manufacturing industry is the fluctuation in 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 the Group has endeavoured to negate by entering into the spot or forward forex contracts to lock in the current exchange rate for our foreign purchases.

5) Absence of long term contracts

The Group does 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 operations.

Management
Discussion And Analysis (cont'd)

Anticipated Or Known Risks Relating To Our Business And Industries (cont'd)

5) Absence of long term contracts (cont'd)

Hence, our Group is 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. Furthermore, the Group has 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 the Group organizes and attends 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, the Group is easily able to shift production and trading patterns to favour non-antibiotic feed additives. The Group will continue deal with both types in proportion with market demand. In this regard, our Group's exposure to threat of substitutes are minimised in the event of a major change in consumer preference. Nevertheless, there can be no assurance that the Group's performance will not be affected in the event there is a new product innovation.

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

Human capital is one of the key factors in the success of the Group. Over the years, our Group has built up a strong operations team comprising the directors, managers and technical personnel who have a vast experience in the livestock industry and have over the year's 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, the Group offers a competitive remuneration package for their contribution towards our Group's success. Good working relationships have also been fostered amongst our employees as the Group provides a healthy working environment, practises good workplace culture and upholds 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

With the successful commercialization of our new fat granular spray plant in Klang, the Group is optimistic of sustaining our growth momentum.

Our Group will continue to explore and penetrate the China and others market as the demand for product like OsmoFAT has been strong in China and others. Besides, our Group is expanding into wider range of products, which include vaccines.

Moving forward, the Group will ensure it stays ahead of market trends, responding swiftly to changes through further strengthening its position in the market with a wider range of products which include vaccines. In the near term, the Group expects the raw material prices to trend at higher levels due to supply and demand mechanism of raw materials and foreign exchange volatility.

However, the outlook of the global economy remains challenging and uncertain. Nevertheless, the Group strategies are to focus on leveraging on its extensive customer network, improved productivity, quality services and product range to enhance its competitive edge. Barring any unforeseen circumstances, the Board believes that the Group's prospects in the forthcoming financial year ending 31 December 2017 remains positive with challenges ahead and target to achieve a better result than this financial year.

Corporate **Social Responsibility**

The Group believes that as an industry player, it is our role to provide continuous support to the society to maintain best business practices, contributing in genuine ways for the good of society while being accountable and responsible to the stakeholders.

The Group creates a connection of people and retaining a skilled, motivated and safety-conscious workforce. We ensure strict compliance with the environmental laws governing plant operations and maintenance in areas relating to environmental standards, emission standards, noise level management and treatment of plant effluents and wastewater.

As part of our Group's Corporate Social Responsibility agenda, our Group has measures in place to minimise the adverse impact of pollution on the environment and to achieve continuous improvement of our plants' environmental performance and our Group sends 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.

As our Group being a great company which has shown our responsibility, accountability and sustainability, our Group believes in human element to support our diverse workforce and to create opportunities. As the animal livestock industry needs more personnel equipped with animal husbandary and veterinary medicine knowledge, the Group has sponsored an academic award by the name of Hadiah PeterLabs Holdings Berhad for Produksi Dan Kesihatan Haiwan Ternakan for student who excels in his/her education. This award was given on 23rd October 2016 at the Faculty Veterinary Of Medicine, Universiti Putra Malaysia.

In addition to that, the Group also sponsored for 28th Veterinary Association Malaysia Congress in Kuching, Sarawak which has brought together Veterinarians of the industry, private sector, government departments and agencies, teaching and research institutions from Peninsular Malaysia, Sabah and Sarawak together for an opportunity to learn, share and network with fellow colleagues.

The Group has made a humble contribution to various farmers associations, primary and secondary schools' education fund and charity fairs which include to Pusat Penjagaan Kanak-Kanak Cacat Taman Megah Home. The Group hopes to enhance the lives of the local community with our contribution.

Corporate
Governance Statement

The Board is committed to achieving and maintaining high standards of corporate governance and effective application of the principles and best practices set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") throughout the Group as a fundamental part of discharging its responsibilities to enhance long-term shareholders' value and investors' interest.

Pursuant to Rule 15.25 of Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("AMLR"), the Board is pleased to outline below the manner in which the Group has applied the Principles and Recommendations of Corporate Governance set out in the MCCG 2012. The Board of Directors supports the 8 principles and 26 recommendations stated in MCCG 2012 in promoting best corporate governance through structures, systems, processes in self-promoting good practices and development of a corporate governance culture and environment. The Board of Directors will continue the existing corporate governance practices and will undertake appropriate action in promoting the principles and recommendations of the MCCG 2012 into the existing Corporate Governance framework.

The Board is pleased to report below on the extent to which the principles and best practices of the MCCG 2012 were applied throughout the financial year ended 31 December 2016.

1. Establish Clear Roles and Responsibilities

1.1 Clear Functions of the Board and Management

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

Management is primarily responsible for implementing the plans chartered out and the day to day management of the Group, with clear authority delegated by the Board.

The Board has set the approved authority limit for Directors and Management on annual basis. The last reviewed approved authority limit was on 26 May 2016.

1.2 Board's Roles and Responsibilities

The Board's roles and responsibilities are as follows:

a. Oversee and set the strategic direction of the Group and to ensure the Group operates efficiently and sustains continuous growth.

b. Overseeing the conduct of the Group's business to ensure the business is properly managed in conformity with ethical values, integrity, fairness, trust and high performance.

c. Identify the business risks and established an appropriate system to reduce and minimize the risks that affects the performance of the Group and the interest of the stakeholders.

d. Ensuring an appropriate succession plan is in place including the appointment, training and fixing compensation of and where appropriate for the Board, Managing Director and the Management of the Company.

e. Developing and implementing an investor relations programme that creates better communication between the Company and shareholders as well as other stakeholders.

f. Reviewing the adequacy and the integrity of the Group's internal control system and information system, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

1. Establish Clear Roles and Responsibilities (cont'd)

1.3 Formalised Ethical Standards Through Code of Conduct

The Group has in place code of ethics for Directors and employees which is based on four elements, which are sincerity, integrity, responsibility and corporate responsibility. In the performance of the directors' duties, the Board should at all times observe the following codes:

a. Should have a clear understanding of the aims and purpose, capabilities and capacity of the Group;

b. Should devote time and effort to attend meetings and to know what is required of the Board and each of its Directors, and to discharge those functions;

c. Should ensure at all times that the Group is properly managed and effectively controlled;

d. Should stay abreast of the affairs of the Group and be kept informed of the Group's compliance with the relevant legislation and contractual requirements;

e. Should insist on being kept informed on all matters of importance to the Group in order to be effective in corporate management;

f. Should have access to the advice and services of the Company Secretary, who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;

g. Should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Group;

h. Should disclose immediately all contractual interests whether directly or indirectly with the Group;

i. Should neither divert to his own advantage any business opportunity that the Group is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;

j. Should at all times act with utmost good faith towards the Group in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties;

k. Should be conscious of the interest of shareholders, employees, creditors and customers of the Group;

l. Should at all times promote professionalism and improve the competency of management and employees;

m. Should ensure adequate safety measures and provide proper protection to workers and employees at the workplace; and

n. Should ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities.

1.4 Strategies Promoting Sustainability

The Board of Directors exercises annual reviews of the strategic directions of the Group, by making necessary assessment on the sustainability of the Group's strategic directions, with due consideration over the progress of the long term and short term plan, changes in business and political environment, level of competition, update in risk factors and any other factors which could affect the sustainability of the Group's strategic directions.

Corporate
Governance Statement (cont'd)

1. Establish Clear Roles and Responsibilities (cont'd)

1.5 Access to Information and Advice

The Directors 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.

The Directors 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 Group'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.

1.6 Qualified and Competent Company Secretaries

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 Group. The Company Secretary also keeps abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training.

1.7 Board Charter

The Board is guided by a Charter which was adopted on 27 August 2013. The Board Charter sets out the principal roles of the Board, the functions, roles and responsibilities of the Board and its various committees.

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.

2. Strengthen Composition

2.1 Nomination Committee

The Nomination Committee ("NC") is to identify, assess and recommend new nominees to the Board and Board Committees. The NC assists the Board in reviewing the Board's required mix of expertise, skill, experiences, qualifications and to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director. The Committee met on two (2) occasions in the financial year 2016.

The Board delegates specific responsibilities to the respective Committees of the Board namely the Audit Committee, Nomination Committee and Remuneration Committee in order to enhance business and corporate efficiency and effectiveness. The Chairman of the respective Committees will brief the Board on the matters discussed at the Committee meetings and minutes of these meetings are circulated to the full Board.

Corporate Governance Statement (cont'd)

2. Strengthen Composition (cont'd)

2.1 Nomination Committee (cont'd)

The Board has established a Nomination Committee, consisting of three (3) Directors who are Independent Non-Executive Directors of the Group as follows:

Name	Designation	Directorship
Azman bin Abdul Jalil	Chairman	Independent Non-Executive Director
Dr. Vijaya Raghavan a/l M P Nair	Member	Independent Non-Executive Director
Dato' Hon Choon Kim	Member	Independent Non-Executive Chairman

This Committee is responsible for making recommendations on the appointment of any new Directors. New appointees will be considered and evaluated by the Board and the Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

The Nomination Committee also annually reviews the effectiveness of the Board as a whole, its committees and the contribution of each individual Director, as well as the Managing Director. The Nomination Committee will ensure that all assessments and evaluations carried out are properly documented and filed.

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors, shall retire from office, at least once in three (3) years. The retiring Directors can offer themselves for re-election. The Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next Annual General Meeting held following their appointments. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with section 129(6) of the Companies Act, 1965.

The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished.

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

2.2 Recruitment Process, Annual Assessment and Gender Diversity Policy

Recruitment Process

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 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.

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.

Annual Assessment

The NC will also be responsible in undertaking an annual evaluation of Directors, Board Committees as well as the Board performance as a whole. Such evaluation will be used as a tool to evaluate the strength, to identify the gaps or areas for improvement which would give rise to the requirement for new recruitments of board members, if necessary.

2. Strengthen Composition (cont'd)

2.2 Recruitment Process, Annual Assessment and Gender Diversity Policy (cont'd)

The Board annual evaluation process is being conducted by cross evaluation among the Board members, of which the criteria of evaluation are predetermined as below:

a. Board Structure;
b. Board operation and communication;
c. Board roles and responsibilities;
d. Undertaking of roles and assignments;
e. Mix of roles and knowledge;
f. Commitment of members; and
g. Depth of contribution.

In carrying out the annual review on 25 February 2016, the NC is satisfied that the size of the Board is optimum and that there is appropriate mix of knowledge, skills, attributes and core competencies in the composition of the Board. All assessments and evaluations carried out by the NC in the discharge of all its functions were properly documented.

The results of the evaluation are compiled into a report to be deliberated by both NC and the Board.

Gender Diversity Policy

The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2012 to the establishment of boardroom and workforce gender diversity policy. The Board currently has one female director who has been appointed on 01 March 2016 which the Board is of the view, is in line with the gender diversity recommended by MCCG 2012.

The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is solely based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.

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.

2.3 Remuneration Policies

In compliance with the MCCG 2012, 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.

2. Strengthen Composition (cont'd)

2.3 Remuneration Policies (cont'd)

The details of the remuneration of the Directors of the Group for the financial year under review are as follows:

The aggregate remuneration of the Directors categorised into appropriate components are as follows:

	Basic Salary & other Emoluments RM'000	Fees RM'000	Bonuses RM'000	EPF (Employer) RM'000	Total RM'000
Executive Directors	932	-	294	137	1,363
Non-Executive Directors	-	114	-	-	114
Total	**932**	**114**	**294**	**137**	**1,477**

The numbers of Directors whose total remuneration falls within the following bands is set out as follows:

	Number of Directors	
Band of Remuneration	**Executive**	**Non-Executive**
Less than RM50,000	-	4
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	3	-
RM350,001 to RM400,000	1	-

The disclosure of directors' remuneration is made in accordance with Appendix 9C, item 12 of the Bursa Securities, AMLR. This method of disclosure represents a deviation from the Best Practices set out in the MCCG 2012, which suggests separate disclosure of each director's remuneration. The Board of Directors is of the opinion that separate disclosure will impinge upon the directors' right of privacy and would not add value significantly to the understanding of shareholders and other interested investors in this area.

3. Reinforce Independence

3.1 Assessment of Independence Annually

The Board strives on the independency of the non-executive directors, who shall have the ability to exercise their duties and make decisions which are in the best interests of the shareholders, unfettered by any business or other relationship with the executive directors, ownership and any other interest in the operation of the company. The Board conducts annual reviews on the independence of each and every of the Directors, in addition to the responsibility of each Director in making immediate declaration over their interest and independency to the Board at any time during his tenure of service.

The Company currently has four (4) independent non-executive directors, who fulfill the criteria of "Independence" as prescribed under Rule 1.01 of the AMLR.

3. Reinforce Independence (cont'd)

3.2 Tenure of Independent Directors

The Board has adopted the recommendation of MCCG 2012 that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon the completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as non-independent director or to obtain shareholders' approval in the event it retains as an independent.

3.3 Shareholders' Approval for the Re-appointment of Independent

For the year under review, none of the current independent Board members had served the Company for more than nine (9) years cumulatively. However, if the tenure of the independent director exceeds nine (9) years, the said Board member would be re-designated as a non-independent director after the said nine (9) years of service. In the event that the said Board member is being retained as an independent director, he/she is to be officially re-elected by the shareholders at the general meeting.

3.4 Separate Positions of the Chairman and Managing Director

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Managing Director are separated and clearly defined. The Chairman is responsible for ensuing Board effectiveness and conduct whilst the Managing Director has overall responsibilities over the Group's operating units, organisational effectiveness and implementation of Board policies and decisions.

The Chairman of the Board is an Independent Director which the Group has adopted best practices recommended in the MCCG 2012.

3.5 Composition of the Board and Gender Diversity

The current Board has eight (8) members comprising one (1) Independent Non-Executive Chairman, one (1) Managing Director, three (3) Executive Directors and three (3) Independent Non-Executive Directors, which is in compliance with Rule 15.02(1) of the AMLR.

One of the Board members is a female Executive Director through internal promotion. Although presently there is no gender diversity policy, the Board will strive to maintain the female composition of the Board in line with the recommendation of the MCCG 2012 in recognition of the contribution that women can bring to the Board and the Group.

The Board comprises professionals drawn from various backgrounds, bringing in-depth and diversity in experience, expertise and perspectives to the Group's business operations. The Board is satisfied that the current Board composition facilitate effective decision making and independent judgment where no individual shall dominate the Board's decision making. The profiles of the members of the Board are set out in this Annual Report on pages 6 to 8.

4. Foster Commitment

4.1 Commitment of the Board Members

The Board meets regularly on a quarterly basis and as and when required. During the financial year under review, the Board held five (5) meetings. A summary of the attendance of each Director at the Board meetings held during the financial year are as follows:

Name of Directors	Meetings Attended	Percentage of Attendance (%)
Dato' Hon Choon Kim	5/5	100
Lim Tong Seng	5/5	100
Teo Chin Heng	5/5	100
Lau Yeng Khuan	5/5	100
Yap Siaw Peng	4/4	100
Prof. Dr. Paul Cheng Chai Liou	5/5	100
Dr. Vijaya Raghavan a/l M P Nair	5/5	100
Azman bin Abdul Jalil	5/5	100

All the Directors have complied with the minimum attendance at Board meetings of at least 50% attendance as stipulated by the AMLR during the financial year.

The notices of meetings and board papers are distributed to the Directors prior to Board meetings to provide Directors with sufficient time to deliberate on issues to be raised at the Board meetings. All proceedings and resolution passed at each meeting are properly minuted and filed by Company Secretary.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every year for their individual schedule planning. The Directors are required to submit and update on their other directorships and shareholdings to the Company Secretary whenever there is a change.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling the roles and responsibilities which is evident by the satisfactory attendance record of the Directors at Board meetings.

It is the Board's policy for Directors to notify the Chairman before accepting any new directorship notwithstanding that the AMLR allow a Director to sit on the board of five listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

4.2 Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme as prescribed by the AMLR. The Directors are also encouraged to attend any relevant training programme to further enhance their knowledge to enable them to discharge their responsibilities more effectively.

4. Foster Commitment (cont'd)

4.2 Directors' Training (cont'd)

List of training attended by the Directors during the financial year are as follows:

SEMINAR	DATE	ORGANISER	ATTENDEE(S)
Customs Tax Incentives (Exemption) Under Section 14.2, Customs Act 1967 Plus The Latest GST Rules On This Specific Group Of Manufacturers	23 February 2016	Federation of Malaysian Manufacturers	Ms. Yap Siaw Peng
National Tax Conference 2016	09 - 10 August 2016	Chartered Tax Institute Of Malaysia & Inland Revenue Board Of Malaysia	Prof. Dr. Paul Cheng Chai Liou
Seminar On Embracing China : How To Export Effectively To China	18 August 2016	Malaysia External Trade Development Corporation (MATRADE)	Mr. Lim Tong Seng Ms. Yap Siaw Peng
After A Project Is Selected, How Do We Finance It?	23 August 2016	Paul Cheng & Co. Chartered Accountants (Malaysia)	Dato' Hon Choon Kim Dr. Vijaya Raghavan a/l M P Nair En. Azman bin Abdul Jalil Mr. Lim Tong Seng Mr. Teo Chin Heng Mr. Lau Yeng Khuan Ms. Yap Siaw Peng
Advocacy Sessions On Management Discussion & Analysis For Chief Executive Officers And Chief Financial Officers	09 September 2016	Bursa Malaysia Berhad	Ms. Yap Siaw Peng
Seminar National Tax 2016	27 October 2016	Inland Revenue Board Of Malaysia	Prof. Dr. Paul Cheng Chai Liou
How Budget 2017 May Affect Your Business And Tax Planning	02 - 03 November 2016	YYC Tax Consultants Sdn Bhd	Ms. Yap Siaw Peng
Elective Program: Mandatory Accreditation Programme	07 – 08 November 2016	The Iclif Leadership and Governance Centre	Mr. Lim Tong Seng Ms. Yap Siaw Peng
Amendments To Bursa Malaysia's Listing Requirements - With Latest Cases On Directors Duties	16 November 2016	Busatra Sdn Bhd	Dato' Hon Choon Kim

5. Uphold Integrity in Financial Reporting

5.1 Compliance with Applicable Financial Reporting Standards

The Board takes the responsibility for presenting a clear, balanced and comprehensive assessment of the Group's position and prospects in its presentation of the annual financial statements and quarterly announcements of its results.

The Board is responsible for keeping proper maintenance of accounting records of the Group and that the financial reporting and disclosure are clearly completed to the highest standards. The Audit Committee assists the Board by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy and recommends the same for consideration and approval by the Board.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, 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 Audit Committee in terms of compliance with the accounting standards and other related regulatory requirements.

The Audit Committee has met the External Auditors separately without the presence of Executive Directors and Management twice (2) during FY 2016 on any matters relating to the Group and its audit activities. The last meeting was held on 29 November 2016.

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

6. Recognise and Manage Risks

6.1 Framework to Manage Risks

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.

6.2 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 33 and 34 of this Annual Report.

The Group'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:

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

6. Recognise and Manage Risks (cont'd)

6.2 Internal Audit Function (cont'd)

The COSO framework included (cont'd):

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

7. Ensure Timely and High Quality Disclosure

7.1 Corporate Disclosure Policy

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

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

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

7.2 Leverage on Information Technology

The Board continues to leverage the use of information technology to disseminate information to shareholders. The Group's website is 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.

8. Strengthen Relationship between Company and Shareholders

8.1 Shareholder Participation at General Meetings

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 Group's annual report twenty one (21) 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 Group's AGM.

8.2 Encourage Poll Voting

Voting at the forthcoming annual general meeting will be conducted by poll. Poll voting reflects shareholders' views more accurately and fairly as every vote is properly counted in accordance with the one share, one vote principle.

8.3 Communication and Engagements with Shareholders

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 Group's announcements made to Bursa Securities and other relevant information is also available at the Group's website at www.peterlabs.com.my.

8. Strengthen Relationship between Company and Shareholders (cont'd)

8.4 Workforce Diversity

The Board is committed in recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees as a mean of enhancing the Group's performance. Diversity may result from wide range of factors which include age, gender, ethnicity or cultural background.

The Board is actively managing its workforce diversity to ensure equal employment opportunity regardless of genders. It foster the environment where the ability to contribute and access employment opportunities is based on performance, skills and merits. These will include equal opportunity in respect of employment and employment conditions such as hiring, training for professional development and promotion for career advancement.

As at the date of this reporting, the Board had not set a gender diversity target, however, it is moving towards a more gender equality of employees. It will focus on getting the participation of woman and those of different ethnicity on its Board and within senior management and the person selected must be able to contribute positively to the development of the Group.

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 2012 throughout the financial year ended 31 December 2016.

This Statement was approved by the Board on 28 March 2017.

Audit
Committee Report

MEMBERS OF AUDIT COMMITTEE

The Audit Committee of the Group comprises the following members:

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

Attendance at Meetings

The record of attendance of the members of the Audit Committee for meetings held during the financial year ended 31 December 2016 is 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.

TERMS OF REFERENCE

The Audit Committee has discharged its function and carried out its duties as set out in the Terms Of Reference (TOR).

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

Composition of the Audit Committee

Composition

The Audit Committee is comprised of three (3) members who are Directors of the Company. In compliance with the AMLR and the MCCG 2012, the Audit Committee is comprised of not less than three members, all of whom are Independent Non-Executive Directors.

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

Audit
Committee Report (cont'd)

MEETINGS AND MINUTES

Meetings

The Audit Committee 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 Audit Committee is shown above.

The meetings are pre-scheduled and are timed just before the Company's Board meetings. The Agenda carries matters that need to be deliberated, reviewed or decided on and reported to the Board. Notices and Audit Committee 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.

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

The Audit Committee shall meet the external auditors in private sessions without the presence of Management to discuss audit related matters that the auditors wish to raise directly with the Committee. During the financial year ended 31 December 2016, the Committee met twice with the external auditors.

Minutes

The Company Secretary shall be the Secretary of the Audit Committee 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 Audit Committee are:

i. To relieve the full Board of Directors 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 of Directors and the external auditors, internal auditors and Management.

Authority of Audit Committee

The Audit Committee 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.

Audit
Committee Report (cont'd)

OBJECTIVES AND AUTHORITY (CONT'D)

Duties of the Audit Committee

The duties of the Audit Committee shall be:

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

ii. To consider the external auditors for appointment, audit fees and review any letter of resignation or dismissal and proposal for re-appointment of external auditors or whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment;

iii. To review the nature and scope of the audit with the internal and external auditors before the audit commences and ensure co-ordination where more than one audit firm is involved;

iv. To review the evaluation of the system of internal controls with the auditors;

v. To review the assistance given by the Group's Management to the external auditors;

vi. To review any appraisal or assessment of the performance of the internal auditors;

vii. To review the quarterly results and annual financial statements, prior to the approval by the Board of Directors, 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 of Directors the Corporate Governance 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 Audit Committee and the Board of Directors from time to time.

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

Audit Committee Report (cont'd)

OBJECTIVES AND AUTHORITY (CONT'D)

SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The main activities carried out by the Committee during the financial year were as follows:

a. Reviewed the quarterly unaudited financial results of the Company and Group before recommending to the Board for consideration and approval;

b. Reviewed the audited financial statements of the Company and Group prior to submission to the Board for consideration and approval. The review was to ensure that these financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards;

c. Reviewed the external auditors' scope of work and audit plan for the year;

d. Reviewed with the external auditors, the results of the annual audit, audit report, including the management's response;

e. Reviewed with the internal auditor, the internal audit plans, the internal audit reports, their evaluation of system of internal controls and the follow-up on the audit findings; and

f. Reviewed related party transactions within the Group.

INTERNAL AUDIT FUNCTION

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 Audit Committee on a quarterly basis by presenting its Internal Audit Reports during the Audit Committee 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 Audit Committee meeting.

During the financial year ended 31 December 2016, 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 2016, the cost incurred for internal audit function was RM26,400.

Statement On Risk Management And Internal Control

Board Responsibility

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

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

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

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

Risk Management Framework

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

Internal Audit Structure

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

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

Organisation Structure

Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Management of the Group and to the Board of 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.

Statement On Risk Management And Internal Control (cont'd)

Operational Monitoring and Controls

The monitoring and control procedures, which are incorporated into day to day operational procedures, are regularly reviewed by the Executive Directors responsible for reporting to the Board. These are supplemented by comprehensive and independent reviews undertaken by the internal audit function on the controls in operation in each individual business and independently 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 2012.

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 2017.

Statement Of Directors' **Responsibility**

The Directors are required by the Companies Act, 1965 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, 1965, the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the AMLR.

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

Additional Compliance Information

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

1. Material Contract

There was no material contract entered into by the Group 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 was no contract relating to loan by the Group and its subsidiaries in respect of the preceding item.

3. Audit and Non-audit Fees

There were audit fees of RM67,200 and non-audit fees of RM23,400 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 2016.

4. Utilisation of Proceeds Raised From Corporate Proposal

The Group did not raise funds through any corporate proposal during the financial year ended 31 December 2016.

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 2016.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Profit for the financial year	3,334,788	1,495,610
Attributable to:-		
Owners of the Company	3,334,788	1,495,610

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.

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 2015 and paid on 30 March 2016:-	
An interim single tier dividend of 0.7 sen per ordinary share	1,447,600
In respect of the financial year ended 31 December 2016 and paid on 24 January 2017:-	
An interim single tier dividend of 0.7 sen per ordinary share	1,447,600
	2,895,200

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

DIRECTORS OF THE COMPANY

The Directors in office since the date of last report are:-

Dato' Hon Choon Kim (Independent Non-Executive Chairman)
Lim Tong Seng (Managing Director)
Teo Chin Heng (Executive Director)
Lau Yeng Khuan (Executive Director)
Yap Siaw Peng (Executive Director)
Prof. Dr. Paul Cheng Chai Liou (Senior Independent Non-Executive Director)
Dr. Vijaya Raghavan A/L M P Nair (Independent Non-Executive Director)
Azman Bin Abdul Jalil (Independent Non-Executive Director)

DIRECTORS OF THE COMPANY (CONT'D)

In accordance with Article 90 of the Company's Articles of Association, Lau Yeng Khuan and Azman bin Abdul Jalil will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dr. Vijaya Raghavan a/l M P Nair will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-appoinment.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year (including their spouses or children) in shares of the Company were as follows:-

	Ordinary shares of RM0.10 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Direct interest				
Lim Tong Seng	19,943,238	-	-	19,943,238
Teo Chin Heng	25,565,245	-	-	25,565,245
Lau Yeng Khuan	8,900,645	-	-	8,900,645
Azman bin Abdul Jalil	30,000	-	-	30,000
Indirect interest				
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

By virtue of their interests in shares of the Company, Mr. Lim Tong Seng, Mr. Teo Chin Heng, Mr. Lau Yeng Khuan and Azman Bin Abdul Jalil are also deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

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.

DIRECTORS' 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 a benefit 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 Note to the financial statements.

ISSUE OF SHARES AND DEBENTURES

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

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that 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 and all known bad debts had been written off and adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(a) which would render the amount 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.

SIGNIFICANT EVENT AFTER THE REPORTING DATE

The significant event after the reporting date is disclosed in Note 31 to the financial statement.

AUDITORS

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

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

....	)
LIM TONG SENG	)
	)
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	) DIRECTORS
	)
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	)
	)
....	)
TEO CHIN HENG	)

Kuala Lumpur

28 March 2017

Statement By **Directors**

In the opinion of the Directors, the financial statements set out on pages 47 to 100 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 101 had been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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 2017

STATUTORY DECLARATION

I, Thong Swee Hean, being the Officer primarily responsible for the financial management of PeterLabs Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 47 to 100 and the supplementary information set out on page 101 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 2017	) ....
	THONG SWEE HEAN

Before me:

Commissioner for Oaths

Independent Auditors' Report
To The Member Of PeterLabs Holdings Berhad

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 2016, 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 100.

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 of 31 December 2016, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *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 current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory valuation

The risk

Refer to Note 7 to the financial statements. The Group holds significant amount of inventory that amounted to RM11,583,547 which is subject to a risk that the inventories become slow-moving or obsolete and rendering it 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 inventory obsolescence provision and in making an assessment of its adequacy due to risk of inventory not stated at the lower of costs or market.

Our response

For inventory, 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 inventory and obtained understanding on the process for identifying specific problem inventory and historic loss rates.

Independent Auditors' Report
To The Member Of PeterLabs Holdings Berhad (cont'd)

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

Allowance for doubtful debts

The risk

Refer to Note 8 to the financial statements. We focused on this area because the Group has material amount of trade receivables that are past due but not impaired amounted to RM8,421,392. The key associate risk was the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year-end trade receivables.

Our response

We have challenged management's assumptions in calculating the allowance for doubtful debts. This includes reviewing the ageing of receivables in comparison to previous years, testing the integrity of ageing by calculating the due date for a sample of invoices and reviewing the level of bad debts written off in the current year against the prior year. We also checked the recoverability of outstanding receivables through examination of subsequent year end cash receipts and tested the operating effectiveness of the relevant control procedures that management has in place.

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.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standard, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 intends to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report
To The Member 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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the 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 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.

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

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

Independent Auditors' Report
To The Member Of PeterLabs Holdings Berhad (cont'd)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 101 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

FOO LEE MENG
(NO: 3069/07/17(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
28 March 2017

Statements Of Financial Position
As At 31 December 2016

		GROUP		COMPANY	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	18,743,906	12,297,281	-	-
Investment in subsidiaries	5	-	-	17,299,900	17,299,900
Deferred tax assets	6	-	95,000	-	-
Total non-current assets		18,743,906	12,392,281	17,299,900	17,299,900
Current assets					
Inventories	7	11,583,547	10,820,022	-	-
Trade receivables	8	21,889,301	21,972,079	-	-
Other receivables	9	3,962,934	1,683,597	1,000	1,000
Amount due from subsidiaries	5	-	-	8,618,153	7,518,153
Tax recoverable		-	-	-	774
Cash and bank balances	10	5,568,188	3,633,609	1,145,463	2,203,404
Total current assets		43,003,970	38,109,307	9,764,616	9,723,331
TOTAL ASSETS		61,747,876	50,501,588	27,064,516	27,023,231
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	11	20,680,000	20,680,000	20,680,000	20,680,000
Share premium	12	4,476,914	4,476,914	4,476,914	4,476,914
Unappropriated profits	13	14,273,855	13,834,267	317,086	1,716,676
Total equity		39,430,769	38,991,181	25,474,000	26,873,590
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	14	760,764	322,299	-	-
Borrowings	15	5,295,019	2,046,319	-	-
Deferred tax liabilities	6	359,000	26,000	-	-
Total non-current liabilities		6,414,783	2,394,618	-	-
Current liabilities					
Trade payables	16	3,775,852	3,050,818	-	-
Other payables	17	5,130,546	2,550,707	1,590,400	149,641
Finance lease liabilities	14	288,141	135,508	-	-
Borrowings	15	6,645,057	3,058,549	-	-
Tax payable		62,728	320,207	116	-
Total current liabilities		15,902,324	9,115,789	1,590,516	149,641
TOTAL LIABILITIES		22,317,107	11,510,407	1,590,516	149,641
TOTAL EQUITY AND LIABILITIES		61,747,876	50,501,588	27,064,516	27,023,231

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 2016

	Note	GROUP 2016 RM	GROUP 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
Revenue	18	83,577,292	73,480,706	1,850,000	1,900,000
Cost of sales		(66,633,630)	(58,395,441)	-	-
Gross profit		16,943,662	15,085,265	1,850,000	1,900,000
Other income		1,203,094	1,273,504	20,465	22,170
Selling and distribution expenses		(3,393,821)	(3,191,331)	-	-
Administration expenses		(8,063,908)	(6,909,948)	(368,847)	(385,984)
Other expenses		(1,062,450)	(728,863)	-	-
Operating profit		5,626,577	5,528,627	1,501,618	1,536,186
Finance costs		(414,076)	(368,486)	-	-
Profit before tax	19	5,212,501	5,160,141	1,501,618	1,536,186
Tax expense	20	(1,877,713)	(1,681,673)	(6,008)	(3,343)
Profit for the financial year		3,334,788	3,478,468	1,495,610	1,532,843
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial year		3,334,788	3,478,468	1,495,610	1,532,843
Profit for the financial year and total comprehensive income attributable to:-					
-Owners of the Company		3,334,788	3,340,494	1,495,610	1,532,843
-Non-controlling interests		-	137,974	-	-
Total profit and total comprehensive income for the financial year		3,334,788	3,478,468	1,495,610	1,532,843
Earnings per share attributable to owners of the Company	21				
-basic (sen)		1.61	1.70		
-diluted (sen)		1.61	1.70		

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

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2016

	Attributable to owners of the Company					
	Non-distributable		Distributable			
	Share capital RM	Share premium RM	Unappropriated profits RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
Balance at 1 January 2015	18,800,000	2,690,914	11,433,773	32,924,687	(137,974)	32,786,713
Profit for the financial year	-	-	3,340,494	3,340,494	137,974	3,478,468
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	3,340,494	3,340,494	137,974	3,478,468
	18,800,000	2,690,914	14,774,267	36,265,181	-	36,265,181
Transactions with owners:-						
Issuance of ordinary shares	1,880,000	1,786,000	-	3,666,000	-	3,666,000
In respect of the financial year ended 31 December 2014: - Dividend of 0.5 sen per share, paid on 25 February 2015	-	-	(940,000)	(940,000)	-	(940,000)
Total transactions with owners	1,880,000	1,786,000	(940,000)	2,726,000	-	2,726,000
Balance at 31 December 2015	20,680,000	4,476,914	13,834,267	38,991,181	-	38,991,181
Profit for the financial year	-	-	3,334,788	3,334,788	-	3,334,788
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	3,334,788	3,334,788	-	3,334,788
	20,680,000	4,476,914	17,169,055	42,325,969	-	42,325,969
Transactions with owners:-						
In respect of the financial year ended 31 December 2015: - Dividend of 0.7 sen per share, paid on 30 March 2016	-	-	(1,447,600)	(1,447,600)	-	(1,447,600)
In respect of the financial year ended 31 December 2016: - Dividend of 0.7 sen per share, paid on 24 January 2017	-	-	(1,447,600)	(1,447,600)	-	(1,447,600)
Total transactions with owners	-	-	(2,895,200)	(2,895,200)	-	(2,895,200)
Balance at 31 December 2016	20,680,000	4,476,914	14,273,855	39,430,769	-	39,430,769

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

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2016 (cont'd)

	Attributable to owners of the Company			
	Non-distributable		Distributable	
	Share capital RM	Share premium RM	Unappropriated profits RM	Total RM
Company				
Balance at 1 January 2015	18,800,000	2,690,914	1,123,833	22,614,747
Profit for the financial year	-	-	1,532,843	1,532,843
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial year	-	-	1,532,843	1,532,843
	18,800,000	2,690,914	2,656,676	24,147,590
Transactions with owners:-				
Issuance of ordinary shares	1,880,000	1,786,000	-	3,666,000
In respect of the financial year ended 31 December 2014: - Dividend of 0.5 sen per share, paid on 25 February 2015	-	-	(940,000)	(940,000)
Total transactions with owners	1,880,000	1,786,000	(940,000)	2,726,000
Balance at 31 December 2015	20,680,000	4,476,914	1,716,676	26,873,590
Profit for the financial year	-	-	1,495,610	1,495,610
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial year	-	-	1,495,610	1,495,610
	20,680,000	4,476,914	3,212,286	28,369,200
Transactions with owners:-				
In respect of the financial year ended 31 December 2015: - Dividend of 0.7 sen per share, paid on 30 March 2016	-	-	(1,447,600)	(1,447,600)
In respect of the financial year ended 31 December 2016: - Dividend of 0.7 sen per share, paid on 24 January 2017	-	-	(1,447,600)	(1,447,600)
Total transactions with owners	-	-	(2,895,200)	(2,895,200)
Balance at 31 December 2016	20,680,000	4,476,914	317,086	25,474,000

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

Statements Of Cash Flows
For The Financial Year Ended 31 December 2016

	Note	GROUP 2016 RM	GROUP 2015 RM	COMPANY 2016 RM	COMPANY 2015 RM
OPERATING ACTIVITIES					
Profit before tax		5,212,501	5,160,141	1,501,618	1,536,186
Adjustments for:-					
Bad debts written off		205,772	181,886	-	-
Depreciation		1,211,769	884,700	-	-
Dividend income		-	-	(1,850,000)	(1,900,000)
Gain on disposal of property, plant and equipment		(142,752)	(43,019)	-	-
Impairment loss on trade receivables		452,342	125,769	-	-
Impairment loss on trade receivables no longer required		(205,772)	(178,956)	-	-
Interest expenses		414,076	368,486	-	-
Interest income		(114,529)	(84,372)	(19,850)	(22,170)
Inventories written down		28,080	229,530	-	-
Property, plant and equipment written off		-	27,638	-	-
Reversal of inventories written down		(264,692)	(158,096)	-	-
Unrealised gain on foreign exchange		(10,974)	(1,295)	-	-
Operating profit before working capital changes		6,785,821	6,512,412	(368,232)	(385,984)
Changes in working capital:-					
Inventories		(526,913)	(3,256,137)	-	-
Receivables		(2,645,893)	(3,531,289)	-	-
Payables		3,344,990	1,016,349	1,440,759	106,366
Bills payable		3,141,238	(402,000)	-	-
Cash generated from/(used in) operations		10,099,243	339,335	1,072,527	(279,618)
Tax paid		(1,707,192)	(1,273,206)	(5,118)	(4,279)
Interest paid		(197,282)	(208,921)	-	-
Interest received		114,529	84,372	19,850	22,170
Net cash from/(used in) operating activities		8,309,298	(1,058,420)	1,087,259	(261,727)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(6,942,100)	(1,623,690)	-	-
Proceeds from disposal of property, plant and equipment		246,358	43,019	-	-
Dividend received		-	-	1,850,000	1,900,000
Net cash (used in)/from investing activities		(6,695,742)	(1,580,671)	1,850,000	1,900,000

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

Statements Of Cash Flows
For The Financial Year Ended 31 December 2016 (cont'd)

		GROUP		COMPANY	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
FINANCING ACTIVITIES					
Advances to subsidiaries		-	-	(1,100,000)	(3,650,000)
Dividend paid		(2,895,200)	(940,000)	(2,895,200)	(940,000)
Drawdown of term loan		4,200,000	-	-	-
Interest paid		(216,794)	(159,565)	-	-
Proceeds from issuance of share capital		-	3,666,000	-	3,666,000
Repayment of term loan		(506,030)	(418,953)	-	-
Repayment of finance lease liabilities		(228,802)	(116,501)	-	-
Net cash from/(used in) financing activities		353,174	2,030,981	(3,995,200)	(924,000)
CASH AND CASH EQUIVALENTS					
Net changes		1,966,730	(608,110)	(1,057,941)	714,273
Effect of exchange rate changes		(32,151)	27,419	-	-
Brought forward		3,633,609	4,214,300	2,203,404	1,489,131
Carried forward	10	5,568,188	3,633,609	1,145,463	2,203,404

NOTE TO THE STATEMENTS OF CASH FLOWS

A.PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Total purchases	7,762,000	1,903,690	-	-
Purchase through finance lease arrangement	(819,900)	(280,000)	-	-
Cash payment	6,942,100	1,623,690	-	-

Notes to The Financial Statements
31 December 2016

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 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur and the principal place of business of the Company is located at Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan Darul Khusus.

The Company is principally engaged in investment holding activities.

The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities of the Company and 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 Directors on 28 March 2017.

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, 1965 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 Malaysian Financial Reporting Standards ("MFRSs")

2.4.1 Adoption of Amendments/Improvements to MFRSs and IC Interpretations ("IC Int")

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the Financial Statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/improvements to MFRSs and IC Int which are mandatory for the financial periods beginning on or after 1 January 2016.

Initial application of the amendments/improvements to MFRSs and IC Int did not have material impact on the financial statements of the Group and of the Company.

2.4.2 Standards Issued But Not Yet Effective

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

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

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

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. Information on new standards, amendments and interpretations that are expected to be relevant to the Group and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have material impact on the Group's and the Company's financial statements.

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group and the Company plan to adopt the new standards on the required effective date. During 2016, the Group and the Company have performed a high-level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group and the Company in the future. Overall, the Group and the Company expect no significant impact on its statement of financial position and equity except of applying the impairment requirements of MFRS 9.

(a) Classification and Measurement of Financial Assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Under MFRS 9, derivative embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instruments as a whole is assessed for classification.

Based on the preliminary assessment, the Group and the Company do not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. Listed securities, debentures and equity instruments currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently presented as accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under MFRS 9 as the Group and the Company expect not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group and the Company expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of MFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

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

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

MFRS 9 Financial Instruments (cont'd)

(a) Classification and Measurement of Financial Assets (cont'd)

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group and the Company expect that these will continue to be measured at amortised cost under MFRS 9. However, the Group and the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

(b) Impairment of Financial Assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

MFRS 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and the Company expect to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company expect a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Classification of 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 at FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

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

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

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

MFRS 9 Financial Instruments (cont'd)

(c) Classification of Financial Liabilities (cont'd)

The Group and the Company have not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's and the Company's preliminary assessment did not indicate any material impact if MFRS 9's requirements regarding the classification of financial liabilities is applied.

(d) Disclosures

MFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's and the Company's preliminary assessment included an analysis to identify data gaps against current processes and the Group and the Company plan to implement the system and controls changes that it believes will be necessary to capture the required data.

(e) Transition

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except the Group and the Company plan to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS, including MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transaction Involving Advertising Services.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group and the Company plan to adopt the new standard on the required effective date using the full retrospective method.

The Group and the Company have completed an initial assessment of the potential impact of the adoption of MFRS 15 on its consolidated financial statements, which subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group and the Company are considering the clarifications issued by MASB on 16 June 2016 and will monitor any further developments.

(a) Sale of Goods

Contracts with customers in which the sale of animal health and nutrition products are generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

(a) Sale of Goods (cont'd)

In preparing to MFRS 15, the Group considers variable consideration of the sales transaction. Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception.

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current MFRS.

(b) Presentation and Disclosure Requirements

MFRS 15 provides presentation and disclosure requirements, which are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's and the Company's financial statements. Many of the disclosure requirements in MFRS 15 are completely new. The Group and the Company are in the progress of developing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

MFRS 16 Leases

MFRS 16 replaces 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*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.2 Standards Issued But Not Yet Effective (cont'd)

MFRS 16 Leases (cont'd)

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

2.5 Significant Accounting Estimates and Judgements

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

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

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the 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 date. The management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amount is analysed in Note 4 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 date is disclosed in Note 7 to the financial statements.

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)

Impairment of Receivables

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. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 8 to the financial statements.

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget or forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in which the Group operates are also carefully taken into consideration.

If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

The carrying value of the Group's deferred tax assets as at 31 December 2015 was RM95,000 as disclosed in Note 6 to the financial statements.

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

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 affect the investee's return.

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 Basic 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 period.

All intragroup assets and 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 3.18 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 the 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 acquire (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.

3.1.5 Non Controlling Interest

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interests even if that results in a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Depreciation is recognised on the 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:-

Building	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 it is 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. Gain or loss arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is dereognised.

3.3 Inventories

Inventories, comprising raw materials, trading goods and finished 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 using weighted average method and finished goods include direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Cost of trading goods are determined 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Inventories (cont'd)

Net realisable value represents estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

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

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 specific in an arrangement.

Finance Lease

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 on 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

3.5.1 Initial Recognition and Measurement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.2 Financial Assets – 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) loans and receivables;
(c) held-to-maturity investments; 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.

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 assets 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 expire 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial Instruments (cont'd)

3.5.3 Financial Liabilities – Categorisation and Subsequent Measurement

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss, other financial liabilities measured at amortised cost using the effective interest method or financial guarantee contracts.

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

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss and financial guarantee contracts. 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 other payables.

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

Financial Guarantee Contracts

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

3.5.4 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 Impairment of Assets

3.6.1 Financial Assets

The Group and the Company assess at each reporting date 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 date 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment of Assets (cont'd)

3.6.1 Financial Assets (cont'd)

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, 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.

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.

The carrying amount of the asset is reduced through the use of a provision 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 provision 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. If, in a subsequent financial 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 provision account. If a future write-off is later recovered, the recovery is recognised in the profit or loss.

3.6.2 Non-financial Assets

The Group and the Company assess at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's ("CGU") fair value less costs to see and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds it recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss has been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Foreign Currency Translation

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

3.7.1 Foreign Currency Transactions And Balances

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

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

3.8 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.

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Unappropriated profits include all current and prior period 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.

3.10 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Provisions (cont'd)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision 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 date.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue Recognition

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.

3.14.1 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.

3.14.2 Dividend Income

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

3.14.3 Interest Income

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

3.15 Tax Expense

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

3.15.1 Current Tax

Current tax is the expected 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).

3.15.2 Deferred Tax

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

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 at the reporting date.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15.2 Deferred Tax (cont'd)

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available to offset against the unutilised tax incentive credit.

3.16 Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

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

3.17 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 30 to the financial statements.

3.18 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Related Parties (cont'd)

(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.

3.19 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. PROPERTY, PLANT AND EQUIPMENT

Group

Cost	Freehold land RM	Building 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
At 1 January 2015	1,467,419	5,902,346	832,074	4,855,459	174,896	55,783	-	115,200	94,403	72,010	542,317	14,111,907
Additions	-	-	772,642	7,500	-	4,724	1,118,824	-	-	-	-	1,903,690
Disposals	-	-	(166,912)	-	-	-	-	-	-	-	-	(166,912)
Writen off	-	-	-	-	-	-	-	-	-	(34,978)	-	(34,978)
At 31 December 2015	1,467,419	5,902,346	1,437,804	4,862,959	174,896	60,507	1,118,824	115,200	94,403	37,032	542,317	15,813,707
Additions	-	4,815,642	650,627	2,182,500	25,390	17,317	-	-	-	59,124	11,400	7,762,000
Transfer from / (to)	-	-	-	1,028,500	-	-	(1,118,824)	-	-	90,324	-	-
Disposal	-	-	(604,069)	(23,400)	-	-	-	-	-	-	-	(627,469)
At 31 December 2016	1,467,419	10,717,988	1,484,362	8,050,559	200,286	77,824	-	115,200	94,403	186,480	553,717	22,948,238
Accumulated depreciation												
At 1 January 2015	-	466,534	319,540	1,663,395	62,211	27,526	-	21,064	38,175	7,894	199,639	2,805,978
Charge for the financial year	-	118,047	163,996	494,031	18,629	11,250	-	11,520	9,394	3,600	54,233	884,700
Disposals	-	-	(166,912)	-	-	-	-	-	-	-	-	(166,912)
Written off	-	-	-	-	-	-	-	-	-	(7,340)	-	(7,340)
At 31 December 2015	-	584,581	316,624	2,157,426	80,840	38,776	-	32,584	47,569	4,154	253,872	3,516,426
Charge for the financial year	-	126,073	304,729	656,561	20,686	11,721	-	11,520	9,394	16,663	54,422	1,211,769
Disposal	-	-	(500,658)	(23,205)	-	-	-	-	-	-	-	(523,863)
At 31 December 2016	-	710,654	120,695	2,790,782	101,526	50,497	-	44,104	56,963	20,817	308,294	4,204,332
Net carrying amount												
At 31 December 2016	1,467,419	10,007,334	1,363,667	5,259,777	98,760	27,327	-	71,096	37,440	165,663	245,423	18,743,906
At 31 December 2015	1,467,419	5,317,765	1,121,180	2,705,533	94,056	21,731	1,118,824	82,616	46,834	32,878	288,445	12,297,281

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

Assets pledged as securities to financial institutions

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

	Group 2016 RM	Group 2015 RM
Freehold land	1,467,419	1,467,419
Building	10,007,334	5,317,765
	11,474,753	6,785,184

Assets held under finance leases

The details of assets under finance lease are:-

	Group 2016 RM	Group 2015 RM
Motor vehicles:-		
Additions during the financial year	819,900	280,000
Net carrying amount	1,131,693	557,081

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

5. SUBSIDIARIES

Investment in subsidiaries	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	17,299,900	17,299,900

5. SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:-

Name of companies	Effective ownership interest and voting interest (%) 2016	(%) 2015	Principal activities	Principal place of business/ Country of in-corporation
Plon Synergy Group Sdn. Bhd.	100	100	Investment holding company	Malaysia
Subsidiaries of Plon Synergy Group Sdn. Bhd.				
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
4. Biojava Sdn. Bhd.*	-	52.50	Trading of soluble and liquid animal health and nutrition products and export activities	Malaysia
Subsidiary of OMS Resources Sdn. Bhd.				
1. OMS Aquaculture Sdn. Bhd.*	-	70	Trading of animal health and nutrition products	Malaysia

* The Companies have been strike-off during the financial year. There is no impact to the Group financial statements.

All the above subsidiaries are audited by SJ Grant Thornton.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests are as follows:-

2015

	OMS Aquaculture Sdn. Bhd.	Biojava Sdn. Bhd.	Total
Percentage of ownership interest and voting interest (%)	30%	47.50%	
Carrying amount of non-controlling interests (RM)	-	-	-
Profit allocated to non-controlling interests (RM)	7,234	130,740	137,974

5. SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests are as below:-

	2015	
	OMS Aquaculture Sdn. Bhd. RM	Biojava Sdn. Bhd. RM
Financial position as at 31 December		
Non-current assets	-	-
Current assets	-	-
Non-current liabilities	-	-
Current liabilities	-	-
Net assets	-	-
Summary of financial performance for the financial year ended 31 December		
Profit for the financial year	24,114	275,240
Other comprehensive income	-	-
Total comprehensive income	24,114	275,240
Included in the total comprehensive income is:-		
Revenue	-	-
Summary of cash flows for the financial year ended 31 December		
Net cash outflow from operating activities/Net cash outflow	(4,275)	(10,873)

Significant restrictions

No significant restriction was imposed on the financial control of the subsidiaries.

Amount due from subsidiaries

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

6. DEFERRED TAX (ASSETS)/LIABILITIES

Group

	2016			2015		
	Asset	Liabilities	Net	Asset	Liabilities	Net
At 1 January	(833,000)	764,000	(69,000)	(1,068,000)	692,000	(376,000)
Recognised in profit or loss	14,000	414,000	428,000	235,000	72,000	307,000
At 31 December	(819,000)	1,178,000	359,000	(833,000)	764,000	(69,000)

6. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

	2016 RM	2015 RM
Presented as follows as disclosed in the statements of financial position:-		
Deferred tax assets	-	(95,000)
Deferred tax liabilities	359,000	26,000
	359,000	(69,000)

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

	2016 RM	2015 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	1,178,000	764,000
Unutilised reinvestment allowances	(819,000)	(833,000)
	359,000	(69,000)

7. INVENTORIES

	Group	
	2016 RM	2015 RM
Raw materials	3,137,394	2,159,053
Finished goods	1,980,755	2,035,653
Trading goods	6,465,398	6,625,316
At carrying amount	11,583,547	10,820,022
Recognised in profit or loss:-		
Inventories recognised in cost of sales	61,282,935	54,113,431
Inventories written down	28,080	229,530
Reversal of inventories written down	(264,692)	(158,096)

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

8. TRADE RECEIVABLES

	Group	
	2016 RM	2015 RM
Trade receivables	22,266,740	22,102,948
Less: Allowance for impairment losses	(377,439)	(130,869)
	21,889,301	21,972,079

8. TRADE RECEIVABLES (CONT'D)

(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 (2015: 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:-

	Group	
	2016 RM	2015 RM
US Dollar	90,700	174,342

(c) The ageing analysis of trade receivables of the Group are as follows:-

	Group	
	2016 RM	2015 RM
Neither past due nor impaired	13,467,909	13,126,131
Past due, not impaired		
Past due 1-30 days	4,033,925	3,217,380
Past due 31-60 days	2,589,141	3,038,789
Past due 61-90 days	1,215,755	1,565,984
Past due more than 90 days	582,571	1,023,795
	8,421,392	8,845,948
Past due and impaired	377,439	130,869
Gross trade receivables	22,266,740	22,102,948

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are due from creditworthy customers with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group has trade receivables amounting to RM8,421,392 (2015: RM8,845,948) that are past due at the reporting date but not impaired. The Directors are of the opinion that the receivables are collectible in view of long term business relationships with the customers and these relate to a number of independent customers for whom there is no recent history of default. These receivables are unsecured.

8. TRADE RECEIVABLES (CONT'D)

(d) The reconciliation of movement in allowance for impairment losses of trade receivables:-

	Group 2016 RM	Group 2015 RM
Brought forward	130,869	184,056
Charge for the financial year	452,342	125,769
Impairment loss no longer required	(205,772)	(178,956)
Carried forward	377,439	130,869

Trade receivables that are individually determined to be impaired at the reporting date relate to customers that have significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(e) Information on financial risk of trade receivables is disclosed in Note 26 to the financial statements.

9. OTHER RECEIVABLES

	Group 2016 RM	Group 2015 RM
Non-trade receivables	91,654	9,311
Advance to suppliers	3,367,435	1,356,737
Deposits	92,414	129,608
Prepayments	124,586	100,477
GST receivable	286,845	87,464
	3,962,934	1,683,597

	Company 2016 RM	Company 2015 RM
Deposits	1,000	1,000

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

	Group 2016 RM	Group 2015 RM
US Dollar	1,092,705	426,748
EURO	486,869	242,556
China Renminbi	261,911	603,364

10. CASH AND BANK BALANCES

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

	Group	
	2016 RM	2015 RM
US Dollar	118,494	657,962

11. SHARE CAPITAL

	Group and Company			
	2016 Unit	2015 Unit	2016 RM	2015 RM
Authorised:-				
Ordinary shares of RM0.10 each	250,000,000	250,000,000	25,000,000	25,000,000
Issued fully paid:				
Ordinary shares of RM0.10 each				
At 1 January	206,800,000	188,000,000	20,680,000	18,800,000
Issued under private placement	-	18,800,000	-	1,880,000
At 31 December	206,800,000	206,800,000	20,680,000	20,680,000

New ordinary shares issued in the financial year ended 31 December 2015 ranked pari passu in all respects with existing ordinary shares of the Company.

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 regard to the Company's residual assets.

12. SHARE PREMIUM

Group and Company

Share premium represents the excess of the consideration received over the nominal value of shares issued by the Company. It is not to be distributed by way of cash dividends and its utilisation shall be in the manner as set out in Section 60(3) of the Companies Act, 1965.

13. UNAPPROPRIATED PROFITS

As at the end of the reporting date, the Company is under single tier tax system. Accordingly, the entire unappropriated profits as at 31 December 2016 of the Company is available for distribution as dividend under the single tier tax system.

14. FINANCE LEASE LIABILITIES

	Group 2016 RM	2015 RM
Minimum lease payments		
- not later than 1 year	336,015	155,784
- later than 1 year but not later than 5 years	827,194	348,791
	1,163,209	504,575
Less: Future finance charges on finance lease	(114,304)	(46,768)
Present value of finance lease liabilities	1,048,905	457,807
Present value of finance lease liabilities		
- not later than 1 year	288,141	135,508
- later than 1 year but not later than 5 years	760,764	322,299
	1,048,905	457,807

The effective interest rates of finance lease facilities are ranged from 4.84% to 7.24% (2015: 4.84% to 7.24%) per annum

15. BORROWINGS

	Group 2016 RM	2015 RM
Non-current		
Secured:-		
Term loan	5,295,019	2,046,319
Current		
Secured:-		
Term loan	886,819	441,549
Bankers' acceptance	2,081,000	1,518,000
Unsecured		
Bankers' acceptance	1,453,939	1,099,000
Trade commodity murabaha financing	116,461	-
Structured commodity financing	2,106,838	-
	6,645,057	3,058,549
Total borrowings	11,940,076	5,104,868

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

(i) a legal charge over the Group's freehold land and building; 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.

15. BORROWINGS (CONT'D)

The term loan bears interest at rates ranging from 4.75% to 5.45% (2015: 5.10% to 5.35%) per annum and is repayable by 96 equal monthly installments commencing after the full release of the loan.

The bankers' acceptance bears interest at rates ranging from 4.47% to 4.79% (2015: 4.75% to 5.15%) per annum.

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 90 days (2015: 30 to 60 days).

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

	Group	
	2016 RM	2015 RM
US Dollar	959,039	1,497,000
Singapore Dollar	85,049	-
Thai Baht	14,468	22,325

17. OTHER PAYABLES

	Group	
	2016 RM	2015 RM
Commission payables	937,847	463,080
Non-trade payables	2,038,953	942,659
Accruals of expenses	2,093,002	968,573
GST payable	60,744	176,395
	5,130,546	2,550,707

	Company	
	2016 RM	2015 RM
Dividend payable	1,447,600	-
Non-trade payables	-	22,845
Accruals of expenses	142,800	126,796
	1,590,400	149,641

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

	Group	
	2016 RM	2015 RM
Singapore Dollar	230	434
Thai Baht	11,791	9,155

18. REVENUE

Group

Revenue represents invoiced value of goods sold, net of discounts and allowances.

Company

Revenue represents dividend income.

19. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst other items, the following:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- current year provision	67,200	71,000	12,900	11,700
- others	23,400	22,152	2,800	2,500
Bad debts recovered	(2,800)	(2,400)	-	-
Bad debts written off	205,772	181,886	-	-
Bankers' acceptance interest	197,282	208,921	-	-
Depreciation	1,211,769	884,700	-	-
Directors' remuneration				
- fee	114,000	96,000	114,000	96,000
- other emoluments	1,362,585	941,903	-	-
Dividend income from unquoted shares in Malaysia				
- subsidiaries	-	-	(1,850,000)	(1,900,000)
Finance lease interest	45,976	14,290	-	-
Gain on disposal of property, plant and equipment	(142,752)	(43,019)	-	-
Impairment loss on trade receivables	452,342	125,769	-	-
Impairment loss on trade receivables no longer required	(205,772)	(178,956)	-	-
Interest income	(114,529)	(84,372)	(19,850)	(22,170)
Inventories written down	28,080	229,530	-	-
Property, plant and equipment written off	-	27,638	-	-
Term loan interest	170,818	145,275	-	-
Rental expenses	322,383	72,000	-	-
Realised loss on foreign exchange	237,943	34,382	-	-
Reversal of inventories written down	(264,692)	(158,096)	-	-
Unrealised gain on foreign exchange	(10,974)	(1,295)	-	-

20. TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysian income tax:-				
Current tax				
- current year	1,518,481	1,362,154	4,309	3,399
- (over)/under provision in prior year	(68,768)	12,519	1,699	(56)
Total current tax recognised in profit or loss	1,449,713	1,374,673	6,008	3,343
Deferred tax				
- origination and reversed at temporary differences	421,000	332,000	-	-
- under/(over) provision in prior year	7,000	(25,000)	-	-
Total deferred tax recognised in profit or loss	428,000	307,000	-	-
Total income tax expense	1,877,713	1,681,673	6,008	3,343

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	5,212,501	5,160,141	1,501,618	1,536,186
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	1,251,000	1,290,035	360,388	384,047
Tax effects in respect of:-				
Expenses not deductible for tax	978,937	625,225	87,921	94,352
Deferred tax assets under/(over) recognised in prior year	7,000	(25,000)	-	-
Movement on deferred tax assets not recognised	-	(35,257)	-	-
Income not subject to tax	(290,456)	(221,106)	(444,000)	(475,000)
(Over)/under provision of tax expense in prior year	(68,768)	12,519	1,699	(56)
Permanent loss on unabsorbed business losses of subsidiaries	-	35,257	-	-
Total tax expense	1,877,713	1,681,673	6,008	3,343

The Group's unutilised reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM3,412,000 (2015: RM3,470,000).

21. EARNINGS PER SHARE

Group

Basic earnings per ordinary share

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

	Group	
	2016 RM	**2015 RM**
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	3,334,788	3,340,494
Weighted average number of ordinary shares at 1 January	196,756,164	188,000,000
Effect of ordinary shares issued during the financial year	10,043,836	8,756,164
Weighted average number of ordinary shares at 31 December	206,800,000	196,756,164
Basic profit per share (sen)	1.61	1.70

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 date.

22. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Salaries, wages and other emoluments	7,061,927	5,858,035	114,000	96,000
Social security contributions	36,739	29,482	-	-
Defined contribution plan	549,870	512,191	-	-
	7,648,536	6,399,708	114,000	96,000

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Executive Directors:-				
Existing Directors of the Company				
Salaries and other emoluments	931,487	665,600	-	-
Bonus	293,981	191,990	-	-
Defined contribution plans	137,117	84,313	-	-
Total Executive Directors' remuneration	1,362,585	941,903	-	-

22. EMPLOYEE BENEFITS EXPENSE (CONT'D)

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-Executive Directors:-				
Existing Directors of the Company				
Fees	114,000	96,000	114,000	96,000
Total Non-Executive Directors' remuneration	114,000	96,000	114,000	96,000
Total	1,476,585	1,037,903	114,000	96,000

23. CAPITAL COMMITMENT

	Group	
	2016 RM	2015 RM
Authorised and contracted for:		
- Plant and machinery	-	2,962,500

24. 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 furture sacrifice of economic benefits will be required.

	Company	
	2016 RM	2015 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries		
- Utilised	11,940,076	5,104,868
- Limit	33,450,000	13,250,000

25. 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 the Company are as follows:-

Transaction with subsidiaries

	Company	
	2016 RM	2015 RM
Dividend income received	1,850,000	1,900,000

25. RELATED PARTY DISCLOSURES (CONT'D)

Transaction with certain Directors

	Group and Company	
	2016	2015
	RM	RM
Professional fee charged by a Company in which a Director has interest	8,795	808

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

Transactions with key management personnel

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 includes all the Directors of the Company, its subsidiaries and certain members of senior management 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 19 and 22 to the financial statements.

26. FINANCIAL INSTRUMENTS

Risk management objectives and policies

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 loss 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (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 date as summarised below:-

	Group	
	2016	**2015**
	RM	**RM**
Classes of financial assets:-		
Cash and bank balances	5,568,188	3,633,609
Trade receivables	21,889,301	21,972,079
Other receivables	3,551,503	1,495,656
Carrying amount	31,008,992	27,101,344

	Company	
	2016	**2015**
	RM	**RM**
Classes of financial assets:-		
Cash and bank balances	1,145,463	2,203,404
Other receivables	1,000	1,000
Amount due from subsidiaries	8,618,153	7,518,153
Carrying amount	9,764,616	9,722,557

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 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 dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements and none of the carrying amount of financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (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 date is as follows:-

	Group	
	2016	**2015**
	RM	**RM**
By country:-		
Malaysia	21,778,910	21,908,719
Bangladesh	401	65,259
Pakistan	90,300	109,083
Thailand	19,690	19,887
	21,889,301	22,102,948

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 below mentioned.

	Group			
	2016		**2015**	
	RM	**%**	**RM**	**%**
Top 3 customers	6,530,054	30	5,873,886	27

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

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements. Deposits with bank that is neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history or default.

Financial assets that are either pass due or impaired

Information regarding financial assets that are either pass due or impaired is disclosed in Note 8 to the financial statements.

Financial assets that are impaired

Information regarding financial assets that are impaired is disclosed in Note 8 to the financial statements.

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial guarantee/Corporate guarantee

The maximum exposure to credit risk as disclosed in Note 24 to the financial statements representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

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 period, 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" term 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.

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 period, 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 its obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arises particularly from payables, loans and borrowings and it maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by management to ensure it has sufficient liquidity to meet its obligations as and when they fall due.

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

		|------------------- Contractual cash flows -----------|			
			Current	|------- Non-current --------|	
	Carrying		On demand/	2 to 5	More than 5
2016	amount	Total	Within 1 year	years	years
Group	RM	RM	RM	RM	RM
Non-derivative financial liabilities					
Borrowings	11,940,076	13,444,243	6,111,713	4,524,718	2,807,812
Finance lease liabilities	1,048,905	1,163,209	336,015	827,194	-
Trade payables	3,775,852	3,775,852	3,775,852	-	-
Other payables	5,069,802	5,069,802	5,069,802	-	-
Total undiscounted financial liabilities	21,834,635	23,453,106	15,293,382	5,351,912	2,807,812
Company					
Non-derivative financial liabilities					
Corporate guarantee	11,940,076	11,940,076	-	-	-
Other payables	1,590,400	1,590,400	1,590,400	-	-
Total undiscounted financial liabilities	13,530,476	13,530,476	1,590,400	-	-
2015					
Group					
Non-derivative financial liabilities					
Borrowings	5,104,868	5,720,254	3,181,228	2,256,912	282,114
Finance lease liabilities	457,807	504,575	155,784	348,791	-
Trade payables	3,050,818	3,050,818	3,050,818	-	-
Other payables	2,374,312	2,374,312	2,374,312	-	-
Total undiscounted financial liabilities	10,987,805	11,649,959	8,762,142	2,605,703	282,114
Company					
Non-derivative financial liabilities					
Corporate guarantee	5,104,868	5,104,868	-	-	-
Other payables	149,641	149,641	149,641	-	-
Total undiscounted financial liabilities	5,254,509	5,254,509	149,641	-	-

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

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (cont'd)

(c) Interest rate risk

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

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

Interest rate sensitivity analysis

At 31 December 2016, 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 date is as follows:-

	Group	
	2016	**2015**
	RM	**RM**
Fixed rate instruments		
Financial liabilities		
Bankers' acceptance	6,054,238	2,617,000
Finance lease liabilities	1,048,905	457,807
	7,103,143	3,074,807
Floating rate instruments		
Financial liability		
Term loan	6,181,838	2,487,868

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 50 (2015: +/- 50) 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 date that are sensitive to changes in interest rates. All other variables are held constant.

	Group	
	2016	**2015**
	RM	**RM**
Effect on profit for the year/Equity		
+ 50bp	(30,909)	(12,439)
- 50bp	30,909	12,439

26. FINANCIAL INSTRUMENTS (CONT'D)

Risk management objectives and policies (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 US Dollar (USD), EURO (EUR), Singapore Dollar (SGD), Thai Baht (THB) and China Renminbi (RMB).

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

	USD RM	EUR RM	SGD RM	THB RM	RMB RM
2016					
Financial assets	1,301,899	486,869	-	-	261,911
Financial liabilities	(959,039)	-	(85,279)	(26,259)	-
Net exposure	342,860	486,869	(85,279)	(26,259)	261,911
2015					
Financial assets	1,259,052	242,556	-	-	603,364
Financial liabilities	(1,497,000)	-	(434)	(31,480)	-
Net exposure	(237,948)	242,556	(434)	(31,480)	603,364

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, RM/RMB exchange rate and all other things being equal.

It assumes a +/- 5% (2015: 5%) change of the RM/USD, RM/EUR, RM/SGD, RM/THB and RM/RMB 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 date.

If the RM had strengthened against the USD, EUR, SGD, THB and RMB by 5% (2015: 5%) then this would have had the following impact:-

	Effect on profit for the year/Equity				
	USD RM	EUR RM	SGD RM	THB RM	RMB RM
31 December 2016	17,143	24,343	(4,264)	(1,313)	13,096
31 December 2015	(11,897)	12,128	(22)	(1,574)	30,168

If RM had weakened against the USD, EUR, SGD, THB and RMB by 5% (2015: 5%) 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.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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 of these investments in the near future.

The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases that 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	2016 %	2015 %
Bankers' acceptance	4.47 – 4.79	4.75 – 5.15
Finance lease liabilities	4.84 – 7.24	4.84 – 7.24
Term loan	4.75 – 5.45	5.10 – 5.35

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.

28. CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

Group	Carrying amount RM	L&R RM	AC RM
2016			
Financial assets			
Trade receivables	21,889,301	21,889,301	-
Other receivables	3,551,503	3,551,503	-
Cash and bank balances	5,568,188	5,568,188	-
	31,008,992	31,008,992	-
Financial liabilities			
Trade payables	3,775,852	-	3,775,852
Other payables	5,069,802	-	5,069,802
Finance lease liabilities	1,048,905	-	1,048,905
Borrowings	11,940,076	-	11,940,076
	21,834,635	-	21,834,635

28. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

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

Group	Carrying amount RM	L&R RM	AC RM
2015			
Financial assets			
Trade receivables	21,972,079	21,972,079	-
Other receivables	1,495,656	1,495,656	-
Cash and bank balances	3,633,609	3,633,609	-
	27,101,344	27,101,344	-
Financial liabilities			
Trade payables	3,050,818	-	3,050,818
Other payables	2,374,312	-	2,374,312
Finance lease liabilities	457,807	-	457,807
Borrowings	5,104,868	-	5,104,868
	10,987,805	-	10,987,805
Company			
2016			
Financial assets			
Other receivables	1,000	1,000	-
Amount due from subsidiaries	8,618,153	8,618,153	-
Cash and bank balances	1,145,463	1,145,463	-
	9,764,616	9,764,616	-
Financial liability			
Other payables	1,590,400	-	1,590,400
2015			
Financial assets			
Other receivables	1,000	1,000	-
Amount due from subsidiaries	7,518,153	7,518,153	-
Cash and bank balances	2,203,404	2,203,404	-
	9,722,557	9,722,557	-
Financial liability			
Other payables	149,641	-	149,641

29. 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	
	2016	**2015**
	RM	**RM**
Interest bearing borrowings		
- Finance lease liabilities	1,048,905	457,807
- Bankers' acceptance	3,534,939	2,617,000
- Trade commodity murabaha financing	116,461	-
- Structure commodity financing	2,106,838	-
- Term loan	6,181,838	2,487,868
Total interest bearing borrowings	12,988,981	5,562,675
Owners' equity	39,430,769	38,991,181
Gearing ratio	0.33	0.14

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

30. 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 : Manufacture of animal health and nutrition products
Trading : Trading and distribute 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.

30. OPERATING SEGMENTS – GROUP (CONT'D)

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
2016						
Revenue						
External revenue		6,777,233	76,800,059	-	-	83,577,292
Inter-segment revenue	A	27,160,922	12,188,482	3,900,000	(43,249,404)	-
Total revenue		33,938,155	88,988,541	3,900,000	(43,249,404)	83,577,292
Results						
Interest income		32,643	81,886	-	-	114,529
Finance costs		(295,883)	(118,193)	-	-	(414,076)
Depreciation		(969,084)	(242,685)	-	-	(1,211,769)
Other non-cash income/(expenses)	B	237,240	(299,244)	-	-	(62,004)
Tax expense		(345,011)	(1,532,702)	-	-	(1,877,713)
Segment profit	C	1,263,133	2,102,584	4,070,827	(3,802,209)	3,634,335
Assets						
Additions to non-current assets other than financial instruments and deferred tax assets	D	7,110,056	651,944	-	-	7,762,000
Segment assets	E	24,060,352	34,884,695	2,814,158	(11,329)	61,747,876
Liabilities						
Segment liabilities	F	2,944,975	4,364,695	1,596,728	-	8,906,398
2015						
Revenue						
External revenue		7,701,132	65,779,574	-	-	73,480,706
Inter-segment revenue	A	21,173,256	10,187,327	3,900,000	(35,260,583)	-
Total revenue		28,874,388	75,966,901	3,900,000	(35,260,583)	73,480,706

Notes to The Financial Statements
31 December 2016 (cont'd)

30. OPERATING SEGMENTS – GROUP (CONT'D)

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
Results						
Interest income		13,552	70,820	-	-	84,372
Finance costs		(255,797)	(112,689)	-	-	(368,486)
Depreciation		(737,098)	(147,602)	-	-	(884,700)
Other non-cash income/(expenses)	B	(139,323)	(44,134)	-	-	(183,457)
Tax expense		(321,140)	(1,360,533)	-	-	(1,681,673)
Segment profit	C	877,055	3,612,091	3,478,863	(4,205,427)	3,762,582
Assets						
Additions to non-current assets other than financial instruments and deferred tax assets	D	1,404,626	499,064	-	-	1,903,690
Segment assets	E	14,938,745	31,652,859	3,824,104	(9,120)	50,406,588
Liabilities						
Segment liabilities	F	1,946,394	3,497,398	157,733	-	5,601,525

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:-

	2016 RM	2015 RM
Bad debts written off	(205,772)	(181,886)
Inventories written down	(28,080)	(229,530)
Impairment loss on trade receivables	(452,342)	(125,769)
Gain on disposal of property, plant and equipment	142,752	43,019
Property, plant and equipment written off	-	(27,638)
Impairment loss on trade receivables no longer required	205,772	178,956
Reversal of inventories written down	264,692	158,096
Unrealised gain on foreign exchange	10,974	1,295
	(62,004)	(183,457)

30. OPERATING SEGMENTS – GROUP (CONT'D)

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

	2016 RM	2015 RM
Segment profit	3,634,335	3,762,582
Interest income	114,529	84,372
Finance costs	(414,076)	(368,486)
Profit after tax	3,334,788	3,478,468

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

	2016 RM	2015 RM
Property, plant and equipment	7,762,000	1,903,690

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

	2016 RM	2015 RM
Segment assets	61,747,876	50,406,588
Deferred tax assets	-	95,000
Total assets	61,747,876	50,501,588

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

	2016 RM	2015 RM
Segment liabilities	8,906,398	5,601,525
Deferred tax liabilities	359,000	26,000
Finance lease liabilities	1,048,905	457,807
Borrowings	11,940,076	5,104,868
Tax payable	62,728	320,207
Total liabilities	22,317,107	11,510,407

30. OPERATING SEGMENTS – GROUP (CONT'D)

Geographical segment

Revenue and non-current assets information based on the geographical location of the customers and assets respectively are as follows:-

Group	Revenue	Non-current Assets
2016	**RM**	**RM**
Bangladesh	5,721,040	-
Malaysia*	72,803,889	18,743,906
Others#	5,052,363	-
	83,577,292	18,743,906
2015		
Bangladesh	5,353,425	-
Malaysia*	65,428,247	12,297,281
Others#	2,699,034	-
	73,480,706	12,297,281

*Company's home country
#Less than 5% for each individual country

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

	2016 RM	2015 RM
Property, plant and equipment	18,743,906	12,297,281

Major customers

The following are major customers with revenue equal or more than 10 percent of the Group revenue:-

	2016 RM	2016 %	2015 RM	2015 %
1 customer	9,167,866	11	7,824,546	11

Notes to The Financial Statements
31 December 2016 (cont'd)

31. SIGNIFICANT EVENT AFTER THE REPORTING DATE

Companies Act 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

Supplementary Information
31 December 2016

REALISED AND UNREALISED PROFITS

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdowns of unappropriated profits as at the reporting date that has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained earnings of the Company and its subsidiaries:-				
- Realised	28,015,192	27,022,888	317,086	1,716,676
- Unrealised	(430,112)	70,295	-	-
	27,585,080	27,093,183	317,086	1,716,676
Consolidation adjustments	(13,311,225)	(13,258,916)	-	-
Total Group retained earnings as per consolidated financial statements	14,273,855	13,834,267	317,086	1,716,676

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

Analysis of Shareholdings
As at 31 March 2017

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	RM20,680,000 divided into 206,800,000 ordinary shares
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
12	Less than 100	691	*
99	100 to 1,000	73,793	0.03
318	1,001 to 10,000	2,238,700	1.08
732	10,001 to 100,000	28,369,931	13.72
169	100,001 to less than 5 % of issued shares	111,808,402	54.07
3	5% and above of the issued shares	64,308,483	31.10
1,333	**TOTAL**	**206,800,000**	**100.00**

* 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	25,565,245	12.36
2.	Lim Tong Seng	19,943,238	9.64
3.	GL Equity Partners Limited	18,800,000	9.09
4.	Teo Kooi Cheng	8,551,000	4.13
5.	Lau Yeng Khuan	7,900,645	3.82
6.	Kho Siaw Sua	7,900,000	3.82
7.	Chan Bee Chuan	6,600,000	3.19
8.	Lau Kim Pou	5,822,238	2.82
9.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siah Tian Yee (E-TJJ)*	5,801,200	2.81
10.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Yap Kee Hor (E-TJJ)*	3,930,600	1.90
11.	Cimsec Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Swee Hwa (T CONNAUGHT-CL)*	3,848,300	1.86
12.	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Yee Foong*	3,388,000	1.64
13.	Chong Pow Choo	2,048,600	0.99
14.	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chong Yoke Ching*	1,869,900	0.90
15.	Hii Lay Yieng	1,810,100	0.88
16.	Gan Beng Hong	1,745,800	0.84
17.	Yap Yi Xuan	1,661,700	0.80
18.	Loh Sin Chin	1,380,000	0.67
19.	Kong Hieng Hung	1,200,000	0.58
20.	Chan Kim Hoon	1,200,000	0.58
21.	Chieng Yew Mang	1,119,000	0.54
22.	Lee Joo Hian	1,109,800	0.54
23.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Hii Lay Yieng (E-PLT)*	1,022,000	0.49
24.	Wong Wah Peng	1,000,000	0.48
25.	Ong Kah Huat	1,000,000	0.48

Analysis of Shareholdings
As at 31 March 2017 (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 (%)
26.	Goh Soo Chian	1,000,000	0.48
27.	Lau Yeng Khuan	1,000,000	0.48
28.	Chieng Yew Heng	1,000,000	0.48
29.	Yap Lee Hsia	964,864	0.47
30.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Teo Kooi Cheng (E-BPJ)*	755,000	0.37
	TOTAL	**140,937,230**	**68.15**

SUBSTANTIAL SHAREHOLDERS (AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

		NO. OF SHARES HELD			
	NAME OF SHAREHOLDERS	DIRECT	%	INDIRECT	%
1.	Teo Chin Heng	25,565,245	12.36	-	-
2.	Lim Tong Seng	19,943,238	9.64	-	-
3.	GL Equity Partners Limited	18,800,000	9.09	-	-

DIRECTORS' SHAREHOLDINGS (AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

		NO. OF SHARES HELD			
	NAME OF DIRECTORS	DIRECT	%	INDIRECT	%
1.	Dato' Hon Choon Kim	-	-	*50,000	0.02
2.	Teo Chin Heng	25,565,245	12.36	-	-
3.	Lim Tong Seng	19,943,238	9.64	-	-
4.	Lau Yeng Khuan	8,900,645	4.30	-	-
5.	Azman bin Abdul Jalil	30,000	0.01	-	-
6.	Dr Vijaya Raghavan a/l M P Nair	-	-	-	-
7.	Prof Dr. Paul Cheng Chai Liou	-	-	-	-
8.	Yap Siaw Peng	-	-	**350,058	0.17

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

List of Properties
As at 31 December 2016

Title No./ Location	1. GRN 212756/ Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan. 2. HSD 151557/ No 38, Lorong Sungai Puloh 1A/ KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan.
Tenure	Freehold
Land Area/ Build-Up Area (Sq.Ft.)	1. 141,276 / 52,474 2. 21,858 / 14,160
Description	1. 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. 2. 3-Storey Semi Detached Office Block Cum Factory
Approximate Age of Building	1. 6 year 2. 3 year
Net Book Value (RM'000)	1. 6,666 2. 4,808
Date of Acquisition	1. 22 April 2008 2. 20 June 2016

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting ("7th AGM") of **PETERLABS HOLDINGS BERHAD** will be held at Springs I, Nilai Springs Resort Hotel, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Tuesday, 30 May 2017** 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 2016 and the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 9)**

2. To approve the payment of Directors' fees of RM114,000 for the financial year ended 31 December 2016 (RM96,000 for 31 December 2015) which represents an increase from the previous financial year. **(Ordinary Resolution 1)**

3. To re-elect the following Directors who are retiring under Article 90 of the Company's Articles of Association:-

   (i) Lau Yeng Khuan **(Ordinary Resolution 2)**
   (ii) Azman bin Abdul Jalil **(Ordinary Resolution 3)**

4. To re-appoint Dr. Vijaya Raghavan a/l M P Nair as Director of the Company. **(Ordinary Resolution 4)**

5. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company for the financial year ending 31 December 2017 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:

6. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   "THAT, pursuant to Sections 75 and 76 of the Companies Act 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." **(Ordinary Resolution 6)**

7. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act 2016.

By Order of the Board
PETERLABS HOLDINGS BERHAD

WONG YUET CHYN (MAICSA 7047163)
Company Secretary

Kuala Lumpur
28 April 2017

Notice of **Annual General Meeting** (cont'd)

Notes:
Proxy

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.
7. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 22 May 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 7th 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 2016**
   The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

10. With the coming into force the Companies Act 2016 on 31 January 2017, there is no age limit for directors. At the 6th Annual General Meeting of the Company held on 28 June 2016, Dr. Vijaya Raghavan a/l M P Nair, who is above the age of 70, was reappointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the 7th AGM. His term of office will end at the conclusion of the 7th AGM and he has offered himself for re-appointment. The proposed Ordinary Resolution 4, if passed, will enable Dr. Vijaya Raghavan a/l M P Nair to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

Explanatory Note on Special Business

11. **Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

    Ordinary Resolution 6 is proposed for the purpose of obtaining a renewed General Mandate ("General Mandate"), which if passed, will empower the Directors of the Company, pursuant to Sections 75 and 76 of the Companies Act 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 new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 28 June 2016 and which will lapse at the conclusion of this 7th AGM.

    The General Mandate, if granted, will provide flexibility to the Company for any possible fund raising activities, including but not limited to, further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions.

Statement Accompanying Notice of Annual General Meeting Pursuant to Rule 8.29 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("AMLR")

1. **Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)**

   No individual is seeking election as a Director at the 7th Annual General Meeting ("AGM") of the Company.

2. **General mandate for issue of securities in accordance with Rule 6.04(3) of AMLR**

   The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note on Special Business 11 of the Notice of AGM.

PETERLABS HOLDINGS BERHAD
(909720-W)
(Incorporated in Malaysia)

CDS ACCOUNT NO.				-			-									
No. OF SHARES HELD																

FORM OF PROXY

I/We...
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Company Registration No.:..)

of...
(FULL ADDRESS)

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

....NRIC No./Passport No.:...
(FULL NAME IN BLOCK LETTERS)

of...
(FULL ADDRESS)

or failing him...NRIC No./Passport No.:...
(FULL NAME IN BLOCK LETTERS)

of...
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Springs I, Nilai Springs Resort Hotel, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Tuesday, 30 May 2017** at **11.30 a.m**. and at any adjournment thereof.

ORDINARY RESOLUTION		FOR	AGAINST
1.	Payment of Directors' Fees		
2.	Re-election of Lau Yeng Khuan		
3.	Re-election of Azman bin Abdul Jalil		
4.	Re-appointment of Dr. Vijaya Raghavan a/l M P Nair		
5.	Re-appointment of Auditors		
6.	Authority to issue shares under Sections 75 and 76 of the Companies Act 2016		

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

Dated this .... day of .... 2017.

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

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.
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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.

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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)

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
Website: www.peterlabs.com.my