2012
Annual Report

PETERLABS HOLDINGS BERHAD
(909720-W)

PeterLabs always S.H.A.R.E...

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Annual Report | 2012

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PETERLABS HOLDINGS BERHAD (909720-W)
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www.peterlabs.com.my

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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Hon Choon Kim
Independent Non-Executive Chairman

Lim Tong Seng
Managing Director

Teo Chin Heng
Executive Director

Dr. Teo Kooi Cheng
Executive Director

Lau Yeng Khuan
Executive Director

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

Dr. Vijaya Raghavan A/L M P Nair
Independent Non-Executive Director

Azman bin Abdul Jalil
Independent Non-Executive Director

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)*
Dr. Teo Kooi Cheng
Dato' Hon Choon Kim

COMPANY SECRETARY
Wong Keo Rou *(MAICSA 7021435)*

REGISTERED OFFICE
10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
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CORPORATE WEBSITE
www.peterlabs.com.my

SHARE REGISTRAR
ShareWorks Sdn Bhd
10-1, Jalan Sri Hartamas 8
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50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 6201 1120
Fax : (603) 6201 3121

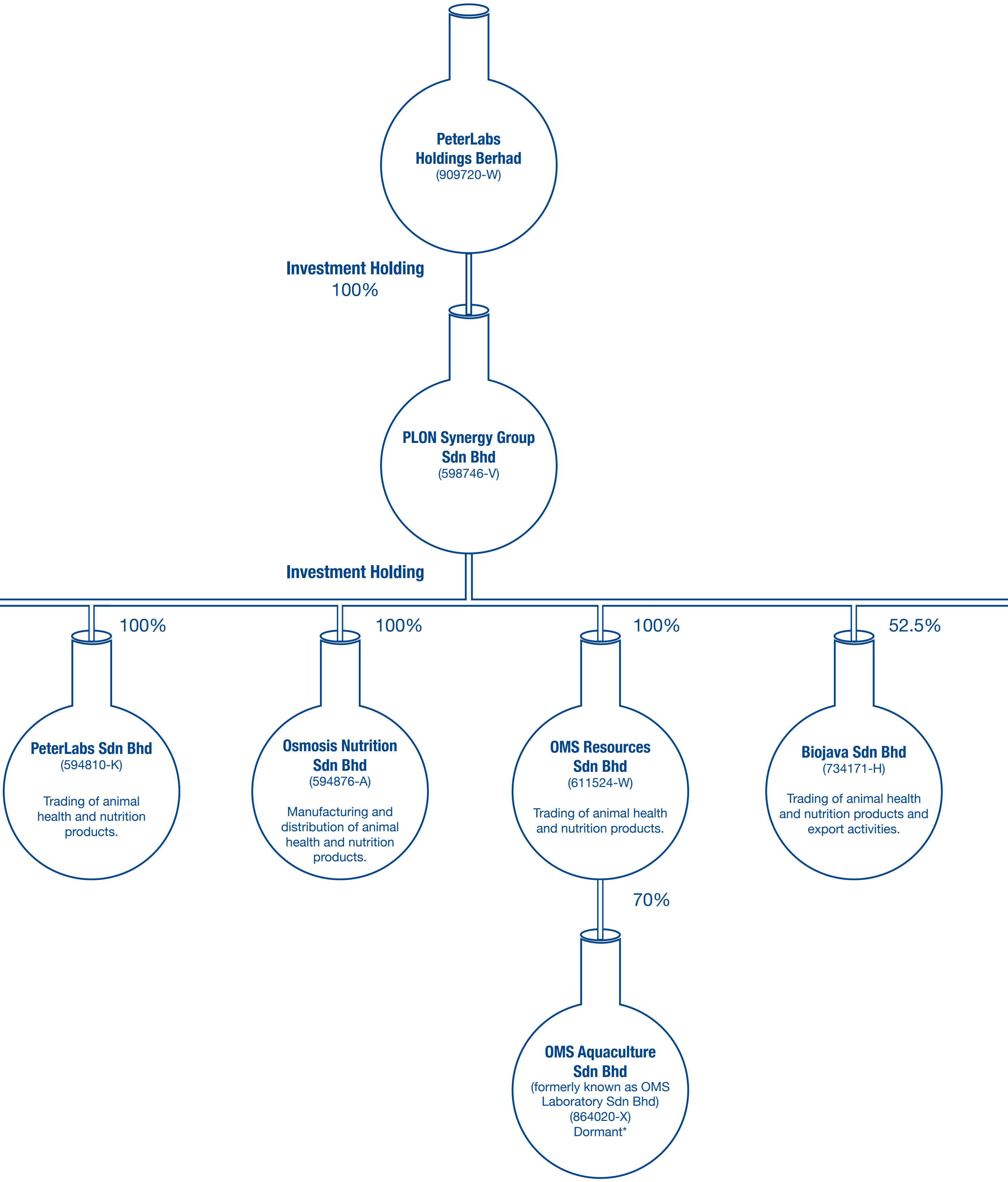
AUDITORS
SJ Grant Thornton (AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 2692 4022
Fax : (603) 2732 5119

PRINCIPAL BANKERS
United Overseas Bank (M) Bhd
Alliance Bank Malaysia Berhad
Affin Bank Berhad

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

ADMISSION SPONSOR
Alliance Investment Bank Berhad
Level 3, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Wilayah Persekutuan (KL)
Tel : (603) 2604 3333
Fax : (603) 2691 9028

CORPORATE STRUCTURE



DIRECTORS PROFILE

Dato' Hon Choon Kim
Malaysian, aged 65
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.

Lim Tong Seng
Malaysian, aged 54
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 60
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.

Lau Yeng Khuan
Malaysian, aged 53
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 all public relation matters as well as providing professional advice to our customers in the swine and poultry sector.

DIRECTORS PROFILE(CONT'D)

Dr. Teo Kooi Cheng
Malaysian, aged 54
Executive Director

Dr. Teo Kooi Cheng, a veterinarian, was appointed to the Board on 28 July 2010 as a Director and redesignated to Executive Director on 1 September 2010 and is currently heading our Group's Technical Department. He graduated from National Taiwan University, with a Bachelor of Veterinary Medicine in 1983 and has since accumulated 28 years of experience in the livestock industry, both as a veterinarian and as well as a farm manager.

Dr. Teo's career in the livestock industry began when he joined Tai Yue Pig Farm in 1983 as a veterinarian and subsequently joined Industrial Farm Pte Ltd, a Singapore commercial pig farm in 1985 as a Deputy Farm Manager. In 1988, he joined Coopers Animal Health (M) Sdn Bhd as a Techno Commercial Executive, where he was responsible for technical backup and product development. Subsequently in 1992, he assumed the position of Technical Director at Chern Tek, a company involved in trading of animal health and nutrition products. In 1999, during the Nipah virus outbreak, he was involved in a large scale Nipah virus screening test of livestock in Malaysia.

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

Dr. Vijaya Raghavan A/L M P Nair
Malaysian, aged 74
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. 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.

DIRECTORS PROFILE(CONT'D)

Prof. Dr. Paul Cheng Chai Liou
Malaysian, aged 66
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).

Azman bin Abdul Jalil
Malaysian, aged 53
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.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I have the pleasure of presenting to you the Annual Report and Audited Financial Statement of PeterLabs Holdings Berhad for the financial year ended 31 December 2012. This is our second annual report since PeterLabs Holdings Berhad was listed on the ACE Market of Bursa Securities on 26 July 2011.

OVERVIEW

We've come a long way since being listed on the ACE Market of Bursa Malaysia Securities Berhad ('Bursa Securities') on 26 July 2011 and our performances throughout have been steadily improving and achieving its targets. Having recorded a 0.9% growth in revenue for 2012, we continue to strengthen on our existing business of manufacturing, distribution and trading of animal health and nutrition products which include animal feed additives, environment maintenance products, veterinary pharmaceuticals and biological products. The livestock industry in Malaysia contributes less than 10% of value added in agriculture. Of which, poultry and swine production dominate the local livestock scenario with excess production for export. However self-sufficient imported frozen meats products has led to slow market demand for feed.

FINANCIAL PERFORMANCE

The Group's performance for the financial year 2012 ended with a recorded revenue of RM46.10 million, representing a growth of 0.9% as compared with FY2011.

The Group recorded a profit before tax of RM3.89 million and a profit after tax of RM3.76 million. The resulting deficit of RM0.36 million in profit before tax was due to incurred IPO expenses of RM1.83 million incurred in year 2011 to offset the escalating manufacturing expenses coupled with overheads in our new manufacturing plant, i.e. depreciation, staffs and utility costs. This was a direct result of the setting up of the now fully operational factory plant which was kicked off in the 3rd quarter of the financial year ended 31 December 2011. This resulted a drop in the percentage gross profit margin from 27.06% to 24.58%.

The significant increase of RM1.09 million in profit after tax is played down to the recognition of deferred tax assets of RM1.17 million for the unutilized tax allowances by a subsidiary.

DIVIDEND

On 31 December 2012, the Group declared an interim single tier dividend of 0.7 sen per share, representing a payout ratio of 34.99% of profit after tax for the Group for the financial year ended 31 December 2012. The dividend was subsequently paid to shareholders on 29 March 2013. The Group did not recommend any final dividend for the financial year ended 31 December 2012.

OPERATION REVIEW

The Group achieved significant breakthrough in market penetration for the year 2012 as we embarked onto developing prospects around the region- namely Indonesia, Brunei, Taiwan and Cambodia to add to the countries we had ventured before in 2011 which was Pakistan, Nepal, Bangladesh and Thailand. Our focus is steadfast to continuously expand and strengthen our core business rapidly. This will enable us to create a better economy of scale in our operations so as to place the Group with a solid competitive advantage and place us on the frontiers of achievements.

CHAIRMAN'S STATEMENT(CONT'D)

FUTURE PROSPECTS

The animal health and nutrition industry has been a crucial partner in greatly improving the health and productivity of livestock. Therefore, it is essential that to achieve these gains, continued advancement and growth can help livestock producers humanely and economically achieve production levels needed to affordably meet future food demands. That's where our commitment and focus is delivered on the manufacturing, distribution and trading of these products.

Further developments in the current market and pursued increased market share in exports market such as Jordan and Phillipines ventured into last year, are essentially crucial to our further progress.

Malaysia is highly dependent on feed imports especially for the ruminant subsector (poultry and swine) and aquaculture. It is in our key interests also that these business segments be harnessed for us in the time to come. Our thirst to be duly recognised and honoured by sound industry standards has also led us to pursue the Good Manufacturing Practice (GMP) accreditation to further elevate and obtain high quality of standards for all our products.

CORPORATE SOCIAL RESPONSIBILITY

Being socially responsible to the communities we serve is not an optional requirement, it is essential. In order to develop the trust and to garner value in the way we conduct our businesses, we also engage and contribute to the societies that we serve in, making them our priority and placing importance on their needs.

We undertook some initiatives in the past year to give back to the community that we serve and embarked on a mission to embrace the values and trust of a social commitment. The Group kicked off proceedings by contributing to the Federation of Livestock Farmers Association of Malaysia, donations to various primary school's education fund and charity fairs.

Human capital development is high on our priority and we have constantly provided various training programmes for the employees and continuously developing, enhancing and upgrading their work skills to further encourage interaction and to promote teamwork within. In order to foster employee interaction and a healthy physical nature for all, indoor as well as outdoor activities to better develop ties and also teamwork within.

Not forgetting our responsibility to the future generation, our Graduate Internship Program also allowed local university students a better chance of stamping their presence in the industry by joining the Group's subsidiary for a 3 month internship attachment.

CHAIRMAN'S STATEMENT(CONT'D)

CORPORATE GOVERNANCE

To ensure transparency, accountability and protection of shareholders' interest, the Board places great importance on ensuring that the highest standard of corporate governance is practiced throughout the Group. Our statement on Corporate Governance and related reports are on pages 10 to 20.

ACKNOWLEDGEMENT

A seed doesn't grow if it does not have the support of the earth and rainfall by its side in the game of life. That same philosophy applies to a human relationship and towards my fellow team which I would like to graciously thank here. My sincerest appreciation and utter gratitude to the management and staffs for their unwavering commitment, dedication, contribution and loyalty towards the Group's causes. Without them, success and growth on our side would just be a mere dream that goes unnoticed.

Not forgetting all our shareholders, customers, business associates, bankers, government authorities and statutory bodies for their stellar support and contributions in assisting throughout the success of the Group.

Dato' Hon Choon Kim
Independent Non-Executive Chairman

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 practises and development of a corporate governance culture and environment. The Board of Directors will continue the existing corporate governance practises 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 2012.

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.

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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1.3 Formalised Ethical Standards Through Code of Conduct

The Group has in place codes 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1.4 Strategies Promoting Sustainability

The Board of Directors exercises annual reviews of the strategic directions of the Company, 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 affects the sustainability of the Group's strategic directions.

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 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 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 and other relevant regulatory authorities.

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

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 Company. 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 charter of the Group is expected to be developed in year 2013. The board charter to be approved is subject to annual review by the Board.

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 required mix of expertise, skill, experiences, qualifications and to assess the effectiveness of the Board as a whole, the Board Committees and the eventually the contribution of each individual Director. The Committee met on two (2) occasion in the financial year 2012.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

The Board has established a Nomination Committee, consisting of three (3) Directors who are Independent Non-Executive Directors of the Company 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 Director

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.

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 inclusive in identification and selection of high calibre candidate who will be able to meet the present and future need of the company.

For the year under review, the Board is satisfied with its current mix of qualification, skills, experiences, expertise and strength, in discharge 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 in the requirement for new recruitments of board members, if necessary.

CORPORATE GOVERNANCE STATEMENT (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.

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

The Board performance evaluation process for year 2013 to be conduct by year 2014.

Gender Diversity Policy
The Board will be looking into the gender diversity policy and will report on the progress in more detail in next year.

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 Director
Dr. Teo Kooi Cheng	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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The details of the remuneration of the Directors of the Company 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	723	-	347	109	1,179
Non-Executive Directors	-	96	-	-	96
Total	**723**	**96**	**347**	**109**	**1,275**

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	1	-
RM250,001 to RM300,000	2	-
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 of 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.

CORPORATE GOVERNANCE STATEMENT (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, of which the said Board member would be re-designated as a non-independent director after the said nine (9) years of service and to be officially re-elected by the shareholders in the Shareholders General meeting.

3.4 Separate Positions of the Chairman and CEO

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.

3.5 Composition of the Board

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.

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 4 to 6.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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
Dr. Teo Kooi Cheng	5/5	100
Lau Yeng Khuan	5/5	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 pass 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. The Directors are required to submit and update on their other directorships and shareholdings to the Company Secretary whenever there is a change.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

4.2 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.

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

SUBJECT	DATE	ORGANISER	ATTENDEE(S)
2012 IFRS Conference: Kuala Lumpur	28 March 2012	Malaysian Accounting Standards Board	Prof. Dr. Paul Cheng Chai Liou
Directors' Duties & Liabilities Seminar	26 April 2012	LegalNet Asia	Dato' Hon Choon Kim
Board's Role in Governance & Audit committee oversight responsibilities - Passion beyond numbers	11 May 2012	Bursatra Sdn Bhd	Mr. Lim Tong Seng Mr. Azman bin Abdul Jalil
Handling Press Conferences, Media Interviews & Tricky Media Questions	11 July 2012	Meridian Communications	Mr. Teo Chin Heng Mr. Lau Yeng Khuan
Synergize Towards High Performance Team-Team Building	14 July 2012	FMM Institute	Mr. Teo Chin Heng Mr. Lim Tong Seng Mr. Lau Yeng Khuan Dr. Teo Kooi Cheng
Corporate Governance and Risk Management	09 August 2012	Malaysian Investor Relations Association	Dr. Vijaya Raghavan A/L M P Nair
Budget 2013, Transfer Pricing & Tax Incentives Seminar	05 October 2012	Grant Thornton	Mr. Teo Chin Heng
Supervisory Skills Development, Roles & Responsibilities	13 October 2012	Tim Cohen Consulting	Mr. Lim Tong Seng Mr. Teo Chin Heng
Bursa Malaysia Sustainability Training for Directors & Practitioners	20 November 2012 22 November 2012	Bursa Malaysia Berhad	Mr. Teo Chin Heng Mr. Azman bin Abdul Jalil Dr. Teo Kooi Cheng Dr. Vijaya Raghavan A/L M P Nair

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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 controls and compliance with laws and regulations.

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 26 and 27 of this Annual Report.

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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

7.2 Leverage on information technology

The Board continue to leverage the use of information technology to disseminate information to shareholders. The Group's website was developed and maintained by IT professional to ensure the website is up to date and secured. The website has a dedicated section to provide information such as 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 Company'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 Company's AGM.

8.2 Encourage poll voting

There no substantive resolutions put forth for shareholders' approval at the previous AGM held on 19 June 2012. As such, all resolutions tabled for shareholders' approval were voted on by a show of hands.

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

COMPLIANCE WITH THE CODE

The Board considers that the Group has substantially complied with the best practices as stipulated in the Principles and Recommendations of the MCCG 2012 throughout the financial year ended 31 December 2012.

AUDIT COMMITTEE REPORT

MEMBERS OF AUDIT COMMITTEE

The Audit Committee of the Company comprises the following members:

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

Dato' Hon Choon Kim
Member, Independent Non-Executive Director

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 2012 is as follows:

NAME	NO. OF AUDIT COMMITTEE MEETINGS HELD DURING MEMBER'S TENURE IN OFFICE	NO. OF AUDIT COMMITTEE MEETINGS ATTENDED BY MEMBER
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

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 2012, 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 Bursa Securities AMLR and other specified financial standards, required disclosure policies, regulations, rules, directives or guidelines developed and administered by Bursa Securities; and

iii. To provides forum for dialogue or meetings as a direct line of communication between the Board of Directors and the external auditors, internal auditors and Management

AUDIT COMMITTEE REPORT (CONT'D)

Authority of Audit Committee

The Audit Committee is authorised by the Board to:

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

Duties of the 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; and
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

AUDIT COMMITTEE REPORT (CONT'D)

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.

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 sourced 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 2012, 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 2012, the cost incurred for internal audit function was RM41,875.

ADDITIONAL COMPLIANCE INFORMATION

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

1. Material Contracts

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

2. Utilisation of Proceeds

Subsequent to the listing on the ACE Market of Bursa Securities, the gross proceeds from the public issue amounting to RM4.5 million have been utilised in the following manner:

	PURPOSES	PROPOSED UTILISATION RM'000	ACTUAL UTILISATION RM'000	DEVIATION* RM'000	(%)
(i)	Repayment of borrowings	3,000	1,500	1,500	50
(ii)	Estimated listing expenses	1,500	1,832	(332)	22
		4,500	3,332		

*Note * The excess from the repayment of borrowings were used to pay off the expenses of approximately RM332,000 and the balance was utilised as the Group's working capital.*

3. Non-audit Fees

There were non-audit fees of RM21,600 paid to the external auditors or a firm or company affiliated to the auditors' firm by the Group for the financial year ended 31 December 2012.

4. Variation in Results

There was no variation in results of 10% or more between the profits stated in the announced unaudited financial statements and the audited financial statements.

5. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies.

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 Company maintains its systems of risk management and internal control with a view to;

- Safeguard assets of the Group and shareholders' interest;
- Identify and manage risks affecting the Group;
- Ensure compliance with regulatory requirements; and
- 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 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 has been mandated to continually assess and monitor the Group's system of risk management and internal control. The Group's internal audit function provides advice and guidance to the Group's businesses on best practice in risk management and control systems. It is also responsible for carrying out audit checks on Group companies, and does so against an audit plan presented annually to the Audit Committee.

Organisation Structure

The organisation structure clearly outlines the authority, responsibility, segregation of duties and accountability to support the Group in achieving its strategies and operational objectives.

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

Financial Reporting Controls

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

Operational Monitoring and Controls

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

Performance Measurement Controls

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

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

Conclusion

The Board is of the view that the system of risk management and internal control is in place for the financial year under review. The Board, with advice from the Audit Committee, has completed its annual review of the effectiveness of the system of risk management and internal control for year 2012. Based on the review conducted, no significant failings or weaknesses were identified and the Board is satisfied that, where areas for improvement were identified, processes are in place to ensure that remedial action is taken and that progress is monitored. The Board is satisfied that the system of risk management and internal control is in accordance with the MCCG 2012.

STATEMENT OF DIRECTORS' RESPONSIBILTY

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 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.

FINANCIAL STATEMENTS

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 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of its subsidiary companies are disclosed in Note 17 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	3,760,762	1,239,204
Attributable to:-		
Owners of the Company	3,898,961	1,239,204
Non-controlling interests	(138,199)	-
Profit for the financial year	3,760,762	1,239,204

DIVIDENDS

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

	RM
In respect of financial year ended 31 December 2011 and paid on 16 January 2012:-	
Interim single tier dividend of 0.5% per share	940,000

Subsequent to the end of the reporting period, an interim single tier dividend in respect of the financial year ended 31 December 2012, of 0.7% tax exempt on 188,000,000 ordinary shares, amounting to RM1,316,000 had been declared and paid on 29 March 2013. This declared dividend is not reflected in the current year's financial statements. Such dividend will be accounted for in shareholders' equity as an appropriation of unappropriated profit in the financial year ending 31 December 2013.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS

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

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

In accordance with Article 90 of the Company's Articles of Association, Teo Chin Heng and Lau Yeng Khuan 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 forth coming Annual General Meeting and being eligible, offers himself for re-appointment.

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, the beneficial interests of those who were Directors at the end of the financial year in the shares of the Company were as follows:-

	← Ordinary shares of RM0.10 each →			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Direct interest				
Lim Tong Seng	18,443,238	-	-	18,443,238
Teo Chin Heng	25,565,245	-	-	25,565,245
Dr. Teo Kooi Cheng	18,443,238	90,000	-	18,533,238
Lau Yeng Khuan	9,400,645	-	-	9,400,645

None of the other Directors in office at the end of financial year had any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

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 the Directors of the Company to acquire any 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 as disclosed in Note 19, 22 and 24 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 he is a member, or with a company in which he has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

There were no shares and debentures issued during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of comprehensive income and statements of financial position 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 adequate provision had been made for doubtful debts and all known bad debts had been written off; and

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

At the date of this report, the Directors 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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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 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 its 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 PERIOD

The event after the reporting period is disclosed in Note 30 to the financial statements.

DIRECTORS' REPORT (CONT'D)

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	)	
	)	DIRECTORS
.... TEO CHIN HENG	)	

Kuala Lumpur
16 April 2013

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 39 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on Note 31 on page 92 to the financial statements had been compiled with the 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 Requirement, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by the directive of 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
16 April 2013

STATUTORY DECLARATION

I, Yap Siaw Peng, 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 39 to 92 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 16 April 2013) ....
)

YAP SIAW PENG

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PETERLABS HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of PeterLabs Holdings Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 92.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, 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 that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

REPORT ON THE FINANCIAL STATEMENTS (CONT'D)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 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.

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 subsidiary companies have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiary companies 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 subsidiary companies 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 in Note 31 on page 92 is disclosed to meet the requirement 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.

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

OTHER MATTERS

1. As stated in Note 2.4 to the Financial Statements, PeterLabs Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

2. 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

TAN CHEE BENG
CHARTERED ACCOUNTANT
(NO: 2664/02/15(J))

Kuala Lumpur
16 April 2013

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
ASSETS				
Non-current assets				
Property, plant and equipment	4	12,390,251	12,901,498	12,716,620
Deferred tax assets	5	577,000	-	-
Total non-current assets		12,967,251	12,901,498	12,716,620
CURRENT ASSETS				
Inventories	6	6,560,493	5,935,428	3,015,516
Trade receivables	7	17,057,767	16,402,312	15,036,549
Other receivables	8	595,762	642,573	1,154,201
Tax recoverable		421,832	365,733	-
Cash and bank balances	9	1,657,745	2,520,305	1,449,308
Total current assets		26,293,599	25,866,351	20,655,574
TOTAL ASSETS		39,260,850	38,767,849	33,372,194
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	10	18,800,000	18,800,000	17,300,000
Share premium	11	2,690,914	2,690,914	-
Unappropriated profit		8,261,736	4,362,775	2,672,552
		29,752,650	25,853,689	19,972,552
Non-controlling interests		(76,550)	38,374	2
Total equity		29,676,100	25,892,063	19,972,554
Non-current liabilities				
Finance lease liabilities	12	125,376	156,214	176,589
Borrowings	13	2,815,137	3,324,343	3,050,316
Deferred tax liabilities	5	-	364,600	58,900
Total non-current liabilities		2,940,513	3,845,157	3,285,805

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (CONT'D)

	Note	Group		
		31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
CURRENT LIABILITIES				
Trade payables	14	1,734,860	2,636,685	3,087,975
Other payables	15	2,321,499	2,882,411	2,662,970
Finance lease liabilities	12	79,150	60,994	97,603
Borrowings	13	2,318,859	3,224,617	1,733,878
Bank overdraft	16	-	165,775	1,991,367
Tax payables		189,869	60,147	540,042
Total current liabilities		6,644,237	9,030,629	10,113,835
TOTAL LIABILITIES		9,584,750	12,875,786	13,399,640
TOTAL EQUITY AND LIABILITIES		39,260,850	38,767,849	33,372,194

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (CONT'D)

	Note	Company 31.12.2012 RM	Company 31.12.2011 RM	Company 1.1.2011 RM
ASSETS				
Non-current assets				
Investment in subsidiary company	17	17,299,900	17,299,900	17,299,900
Total non-current assets		17,299,900	17,299,900	17,299,900
CURRENT ASSETS				
Other receivables	8	52,500	156,700	-
Amount due from subsidiary companies	17	5,549,153	5,051,553	-
Cash and bank balances	9	3,414	103,116	100
Total current assets		5,605,067	5,311,369	100
TOTAL ASSETS		22,904,967	22,611,269	17,300,000
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	10	18,800,000	18,800,000	17,300,000
Share premium	11	2,690,914	2,690,914	-
Unappropriated profit/(Accumulated loss)		1,384,029	144,825	(53,224)
Total equity		22,874,943	21,635,739	17,246,776
CURRENT LIABILITIES				
Other payables	15	30,024	975,530	10,000
Amount due to subsidiary company	17	-	-	43,224
Total current liabilities		30,024	975,530	53,224
TOTAL LIABILITIES		30,024	975,530	53,224
TOTAL EQUITY AND LIABILITIES		22,904,967	22,611,269	17,300,000

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note	2012 RM	2011 RM	2012 RM	2011 RM
Revenue	18	46,103,629	45,689,837	1,700,000	2,700,000
Cost of sales		(34,771,617)	(33,327,896)	-	-
Gross profit		11,332,012	12,361,941	1,700,000	2,700,000
Other income		328,000	284,610	-	1,834
Selling and distribution expenses		(1,815,811)	(1,918,902)	-	-
Administration expenses		(5,482,762)	(5,663,179)	(456,796)	(1,563,785)
Other expenses		(237,080)	(483,261)	(4,000)	-
Finance cost		(235,353)	(320,078)	-	-
Profit before tax	19	3,889,006	4,261,131	1,239,204	1,138,049
Tax expense	20	(128,244)	(1,592,536)	-	-
Profit for the financial year		3,760,762	2,668,595	1,239,204	1,138,049
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		3,760,762	2,668,595	1,239,204	1,138,049
Profit for the financial year and total comprehensive income attributable to:-					
Owners of the Company		3,898,961	2,630,223	1,239,204	1,138,049
Non-controlling interests		(138,199)	38,372	-	-
Total profit and total comprehensive income for the financial year		3,760,762	2,668,595	1,239,204	1,138,049
Earnings per share attributable to owners of the Company					
- basic (sen)	21	2.07	1.46		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	← Attributable to owners of the Company →					
	← Non-distributable →		Distributable			
	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM	Non-controlling interests RM	Total equity RM
Group						
Balance at 1 January 2011	17,300,000	-	2,672,552	19,972,552	2	19,972,554
Total comprehensive income for the financial year	-	-	2,630,223	2,630,223	38,372	2,668,595
Listing expenses	-	(309,086)	-	(309,086)	-	(309,086)
Transaction with owners:-						
Issued shares during the financial year						
- initial public offering	1,500,000	3,000,000	-	4,500,000	-	4,500,000
Dividend of 0.5% per share, paid on 16 January 2012	-	-	(940,000)	(940,000)	-	(940,000)
Total transaction with owners	1,500,000	3,000,000	(940,000)	3,560,000	-	3,560,000
Balance at 31 December 2011	18,800,000	2,690,914	4,362,775	25,853,689	38,374	25,892,063
Acquisition of equity interest in a subsidiary company by non-controlling interests	-	-	-	-	23,275	23,275
Total comprehensive income for the financial year	-	-	3,898,961	3,898,961	(138,199)	3,760,762
Balance at 31 December 2012	18,800,000	2,690,914	8,261,736	29,752,650	(76,550)	29,676,100

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	← Attributable to owners of the Company			→
	← Non-distributable	→	Distributable	
	Share capital RM	Share premium RM	Unappropriated profit/ (Accumulated loss) RM	Total RM
Company				
Balance at 1 January 2011	17,300,000	-	(53,224)	17,246,776
Total comprehensive income for the financial year	-	-	1,138,049	1,138,049
Listing expenses	-	(309,086)	-	(309,086)
Transaction with owners:-				
Issued shares during the financial year - initial public offering	1,500,000	3,000,000	-	4,500,000
Dividend of 0.5% per share, paid on 16 January 2012	-	-	(940,000)	(940,000)
Total transaction with owners	1,500,000	3,000,000	(940,000)	3,560,000
Balance at 31 December 2011	18,800,000	2,690,914	144,825	21,635,739
Total comprehensive income for the financial year	-	-	1,239,204	1,239,204
Balance at 31 December 2012	18,800,000	2,690,914	1,384,029	22,874,943

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
OPERATING ACTIVITIES					
Profit before tax		3,889,006	4,261,131	1,239,204	1,138,049
Adjustments for:-					
Bad debts written off		-	123,653	-	-
Depreciation		823,621	569,051	-	-
Impairment loss on trade receivables		44	49,605	-	-
Interest expenses		235,353	320,078	-	-
Inventories written down		147,600	108,696	-	-
(Gain)/Loss on disposal of property, plant and equipment		(80,200)	69,730	-	-
Property, plant and equipment written off		-	66,668	-	-
Unrealised gain on foreign exchange		-	(1,202)	-	-
Dividend income		-	-	(1,700,000)	(2,700,000)
Impairment loss on trade receivables no longer required		(4,000)	(49,288)	-	-
Interest income		(3,367)	(1,834)	-	(1,834)
Listing expenses		-	1,349,124	-	1,349,124
Reversal of inventories written down		(78,455)	(81,966)	-	-
Operating profit/(loss) before working capital changes		4,929,602	6,783,446	(460,796)	(214,661)
Changes in working capital:-					
Inventories		(694,210)	(2,946,642)	-	-
Receivables		(604,688)	(978,105)	104,200	(156,700)
Payables		(1,462,737)	(1,171,849)	(945,506)	25,530
Bills payable		(913,000)	1,318,489	-	-
Cash generated from/(used in) operations		1,254,967	3,005,339	(1,302,102)	(345,831)
Tax paid		(996,221)	(2,132,464)	-	-
Interest paid		(73,669)	(112,959)	-	-
Interest received		3,367	1,834	-	1,834
Net cash from/(used in) operating activities		188,444	761,750	(1,302,102)	(343,997)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(285,174)	(862,747)	-	-
Proceeds from acquisition of equity interest in a subsidiary company by non-controlling interest		23,275	-	-	-
Proceeds from disposal of property, plant and equipment		103,000	13,320	-	-
Dividend received		-	-	2,500,000	200,000
Net cash (used in)/from investing activities		(158,899)	(849,427)	2,500,000	200,000

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
FINANCING ACTIVITIES					
Interest paid		(161,684)	(207,119)	-	-
Listing expenses paid		-	(1,658,210)	-	(1,658,210)
Repayment of finance lease liabilities		(62,682)	(97,884)	-	-
Repayment of term loan		(501,964)	(373,040)	-	-
Drawndown of term loan		-	819,317	-	-
Proceeds from issuance of shares		-	4,500,000	-	4,500,000
Advance to subsidiary company		-	-	(1,297,600)	(2,594,777)
Net cash (used in)/from financing activities		(726,330)	2,983,064	(1,297,600)	247,013
CASH AND CASH EQUIVALENTS					
Net changes		(696,785)	2,895,387	(99,702)	103,016
Effect of exchange rate changes		-	1,202	-	-
Brought forward		2,354,530	(542,059)	103,116	100
Carried forward	B	1,657,745	2,354,530	3,414	103,116

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment with an aggregate cost of RM335,174 (2011: RM903,647) of which RM50,000 (2011: RM40,900) was acquired by means of finance lease. Cash payment of RM285,174 (2011: RM862,747) was made to purchase property, plant and equipment.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:-

	2012 RM	2011 RM	2012 RM	2011 RM
Cash and bank balances	1,657,745	2,520,305	3,414	103,116
Bank overdraft (Note 16)	-	(165,775)	-	-
	1,657,745	2,354,530	3,414	103,116

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012

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 10-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur and the principal place of business is located at 16014 (PT No. 24341) , Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan Darul Khusus.

The Company is principally engaged in investment holding.

The principal activities of the subsidiary companies are disclosed in Note 17 to the financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies 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 16 April 2013.

2. **BASIS OF PREPARATION**

2.1 **Statement of Compliance**

The financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB").

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 summary of significant accounting policies.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

2. **BASIS OF PREPARATION (CONT'D)**

2.4 **Malaysian Financial Reporting Standards (MFRSs)**

2.4.1 **Adoption of New or Revised Malaysian Financial Reporting Standards (MFRSs)**

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the Group and the Company have adopted new and revised MFRSs and IC Interpretations.

Initial application of the new and revised MFRSs and interpretations which will be applied prospectively is not expected to have any 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 MASB but are not yet effective, and have not been adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's and the Company's financial statements.

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

MFRS 9 replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments. It addresses the classification, measurement and recognition of financial assets and financial liabilities with only two classification categories: fair value and amortised cost.

The Group and the Company expect changes to arise from the adoption of MFRS in terms of the classification and measurement of the financial assets. However, the extent of the impact has not been determined.

MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced the disclosures about fair value measurements. The enhanced disclosure requirements are similar to those in MFRS 7 Financial Instruments: Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Significant Accounting Estimates and Judgements**

Accounting estimates and judgement are being constantly reviewed against historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. However, because of uncertainty in determining future events and its impact, actual result could differ from the estimates reported.

Key sources of estimation uncertainty

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:-

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful life. However, significant judgement is involved in estimating the useful life and residual value of property, plant and equipment which are subjected to technological development and level of usage. Therefore residual values of these assets and future depreciation charges may vary.

Impairment of property, plant and equipment

The Group carried out impairment tests where there is indications of impairment based on a variety of estimation including value-in-use of 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-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

The carrying amount of the Group's property, plant and equipment at the end of the reporting date is disclosed in Note 4 financial statements.

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors such as probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments are considered in determining whether there is objective evidence of impairment.

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 loans and receivables at the end of the reporting date is disclosed in Notes 7 and 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 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 the numerous jurisdictions in which the Group operates are also carefully taken into consideration.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Significant Accounting Estimates and Judgements (cont'd)**

Key sources of estimation uncertainty (cont'd)

Deferred tax assets (cont'd)

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 2012 was RM577,000 (31.12.2012 and 1.1.2011: Nil) as disclosed in Note 5 to the financial statements.

Income taxes

Significant judgement is involved in determining the Group-wide 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.

Inventories

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

The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 6 to the financial statements.

Significant management judgement

The significant management judgements in applying the accounting policies of the Group and the Company that have the most significant effect on the financial statements are as follows:-

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

3. **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied to financial statements for the periods presented and the opening MFRS statements of financial position of the Group and of the Company as at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

3.1 **Consolidation**

3.1.1. **Subsidiaries**

A subsidiary is a company in which the Group or the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

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

3.1.2. **Basic of consolidation**

The Group 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 intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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 parent.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.1 **Consolidation (cont'd)**

3.1.3. **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 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.

3.1.4. **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 year between non-controlling interests and the owners of the Company.

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

3.2 **Property, plant and equipment**

Property, plant and equipment are initially recognised at cost in the financial statements and cost includes cost of replacing parts of the property, plant and equipment and borrowing cost that are directly attributable to the acquisition, construction or production of the qualifying property plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item capitalised can be measured reliably.

Repair and maintenance cost are charged to the profit or loss during the period in which they are incurred and the cost of major renovation and restoration is included in the carrying amount of the asset when it is probable that future economic benefits from the renovation and restoration exceeds the previously assessed standards of performance and it is depreciated over the remaining useful life of the asset.

Depreciation is provided on straight line method in order to write off the cost of the property, plant and equipment less estimated residual value over the estimated useful life and it commences when the asset is available for use.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

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

No depreciation is provided on freehold land as it has indefinite life. The principal annual rates of depreciation used are as follows:-

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

Property, plant and equipment under construction is included in the financial statements as capital work-in-progress and no depreciation is charged until it is available for use.

Residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in property, plant and equipment.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

3.3 **Capital work-in-progress**

Capital work-in-progress consists of buildings, computer systems, 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.

3.4 **Assets acquired under lease arrangements**

Finance leases

Lease of property, plant and equipment acquired under finance lease arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.4 **Assets acquired under lease arrangements (cont'd)**

Finance leases (cont'd)

Any initial direct costs are also added to the amount capitalised. Leased payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy.

Outstanding obligation due under finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease arrangements are allocated to profit or loss over the period of respective agreements.

Operating leases

Lease payments for operating leases, where substantially all the risk and benefits remain with lessor, are charged as expenses in the period in which they incurred.

3.5 **Impairment of non-financial assets**

At each reporting date, the Group reviews carrying amounts of assets to determine whether there is any indication of impairment. Intangible asset with indefinite useful life such as goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, estimated future cash flows are discounted to 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. Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset. An impairment loss is recognised as an expense in the profit or loss immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.5 **Impairment of non-financial assets (cont'd)**

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in the profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through profit or loss is treated as revaluation increase. After such a reversal, depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

3.6 **Financial instruments**

Financial assets and financial liabilities are recognised when the Group 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.

3.6.1 **Financial assets**

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument and they are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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

Financial assets other than those designated and effective as hedging instruments are classified into following categories upon initial recognition:-

a) Loans and receivables
b) Financial assets at fair value through profit or loss
c) Held-to-maturity investments
d) Available-for-sale financial assets

The category mentioned above determines subsequent measurement of a financial asset and whether any resulting income and expense is recognised in profit or loss or in statement of comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied to determine impairment for each category of financial assets, as described later.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

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

3.6.1 **Financial assets (cont'd)**

All income and expenses relating to financial assets are recognised in profit or loss.

Other than loan and receivables, the Group does not have financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and they are measured at amortised cost using effective interest method, less provision for impairment subsequently. Discounting is omitted where the effect of discounting is immaterial in subsequent measurement. Cash and bank balances, trade and most other receivables of the Group fall into this category of financial instruments.

Loans and receivables are classified as current assets and those mature 12 months after the reporting date are classified as non-current.

3.6.2 **Financial liabilities**

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial liabilities are measured initially at fair value plus transactions costs, except for financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Subsequently, they are measured at amortised cost using the effective interest method except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments which are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

The Group financial liabilities include borrowings, trade payables and other payables.

3.7 **Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence indicating a financial asset might be impaired.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.7 **Impairment of financial assets (cont'd)**

Trade and other receivables and other financial assets carried at amortised cost

The Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with industry group, increase in cases of delayed payments and observable changes in economic conditions. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and the loss is recognised in profit or loss.

The Group assesses at each reporting date whether there is any objective evidence indicating a financial asset might be impaired.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.8 **Inventories**

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

Cost of raw materials is determined using weighted average method and finished goods include direct materials, labour and an appropriate proportion of manufacturing overheads.

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 also recognised as an expense when they occur. Any reversal is recognised in the profit or loss in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.9 **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.

3.10 **Cash and cash equivalents**

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

Bank overdraft is shown in current liabilities in the statements of financial position.

3.11 **Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and 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 benefit.

Unappropriated profit include all current and prior period unappropriated profit.

All transactions with shareholder are recorded separately within equity.

3.12 **Dividends**

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of unappropriated 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. Interim dividends are recognised as liability when they are declared.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.12 **Dividends (cont'd)**

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the non-cash assets to be distributed. At the end of the financial year and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

3.13 **Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, 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 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 time value of money is material, the amount of a provision is the present value of expenditure expected to settle the obligation.

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.

3.14 **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrences or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measure reliably.

3.15 **Borrowing costs**

Borrowing costs are recognised as expenses in the profit or loss in the period in which they are incurred. However, borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for its intended use.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.16 **Employee benefits**

3.16.1 **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.

3.16.2 **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").

3.17 **Revenue recognition**

Revenue is recognised upon delivery of goods sold and customer acceptance, net of returns and trade discounts.

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

Interest income is recognised using effective interest method.

3.18 **Income tax**

Current tax

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

Deferred tax

Deferred tax liabilities and assets are provided for under the liability method in respect of all temporary differences at the end of the reporting period between the carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.18 **Income tax (cont'd)**

Deferred tax (cont'd)

Deferred tax liabilities are recognised for all temporary differences, except :

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

3.18 **Income tax (cont'd)**

Deferred tax (cont'd)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.19 **Segment reporting**

In identifying its operating segments, management generally follows the Group's internal reports regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the respective segments and to assess their performance.

3.20 **Intersegment transfers**

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are on negotiated basis. These transfers are eliminated on consolidation.

3.21 **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 ultimate holding Company or the Group.

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

- (i) The entity and the Group are members of the same group.
- (ii) The Group is an associate or joint venture of the entity.
- (iii) Both Group and the entity are joint ventures of the same third party.
- (iv) The Group is a joint venture of a third entity and the 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 ultimate holding Company or the entity.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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 conditioner RM	Renovation RM	Laboratory RM	Total RM
At 1 January 2011	1,467,419	5,538,110	380,595	150,231	30,262	8,413	5,153,002	367	6,760	27,985	-	12,763,144
Additions	-	203,726	127,361	64,133	-	-	215,383	-	-	28,479	264,565	903,647
Written off	-	-	-	(45,554)	(9,061)	-	-	(367)	(4,947)	(27,985)	-	(87,914)
Disposals	-	-	-	(151,000)	-	-	-	-	-	-	-	(151,000)
Transfer from/(to) capital work-in-progress/property, plant and equipment	-	-	38,000	4,802,499	75,324	-	(5,269,815)	-	92,590	-	261,402	-
At 31 December 2011	1,467,419	5,741,836	545,956	4,820,309	96,525	8,413	98,570	-	94,403	28,479	525,967	13,427,877
Additions	-	42,140	109,039	35,150	7,150	26,695	108,500	-	-	6,500	-	335,174
Disposals	-	-	(236,000)	-	-	-	-	-	-	-	-	(236,000)
Transfer from/(to) capital work-in-progress/property, plant and equipment	-	98,570	-	-	-	-	(98,570)	-	-	-	-	-
At 31 December 2012	1,467,419	5,882,546	418,995	4,855,459	103,675	35,108	108,500	-	94,403	34,979	525,967	13,527,051
Accumulated depreciation												
At 1 January 2011	-	-	41,129	3,512	1,269	69	-	28	357	160	-	46,524
Charge for the financial year	-	114,674	120,019	265,365	13,576	1,697	-	84	10,170	1,754	41,712	569,051
Written off	-	-	-	(16,865)	(2,136)	-	-	(112)	(835)	(1,298)	-	(21,246)
Disposals	-	-	-	(67,950)	-	-	-	-	-	-	-	(67,950)
At 31 December 2011	-	114,674	161,148	184,062	12,709	1,766	-	-	9,692	616	41,712	526,379
Charge for the financial year	-	116,195	133,757	492,521	12,272	5,257	-	-	9,544	1,478	52,597	823,621
Disposals	-	-	(213,200)	-	-	-	-	-	-	-	-	(213,200)
At 31 December 2012	-	230,869	81,705	676,583	24,981	7,023	-	-	19,236	2,094	94,309	1,136,800

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

Group	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 conditioner RM	Renovation RM	Laboratory RM	Total RM
Net carrying amount												
At 1 January 2011	1,467,419	5,538,110	339,466	146,719	28,993	8,344	5,153,002	339	6,403	27,825	-	12,716,620
At 31 December 2011	1,467,419	5,627,162	384,808	4,636,247	83,816	6,647	98,570	-	84,711	27,863	484,255	12,901,498
At 31 December 2012	1,467,419	5,651,677	337,290	4,178,876	78,694	28,085	108,500	-	75,167	32,885	431,658	12,390,251

The Group's net carrying amount of property, plant and equipment which are under finance lease arrangement amounted to RM280,890 (31.12.2011: RM264,519 and 1.1.2011: RM339,466).

Freehold land and building are charged as security for banking facilities granted to the Group as disclosed in the Note 13 to the Financial Statements.

In financial year ended 2010, interest capitalised in work-in-progress amounted to RM34,134.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

5. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Brought forward	364,600	58,900	-
Recognised in profit or loss (Note 20)	(941,600)	305,700	15,332
Addition through acquisition of subsidiary company	-	-	43,568
Carried forward	(577,000)	364,600	58,900

The balance in the deferred tax (assets)/liabilities is made up of temporary differences arising from:-

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	570,000	506,700	58,900
Unutilised capital allowances	(235,000)	(142,100)	-
Unutilised reinvestment allowance	(912,000)	-	-
	(577,000)	364,600	58,900

6. INVENTORIES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Raw materials	1,696,411	1,830,068	1,163,329
Finished goods	304,873	4,105,360	1,852,187
Trading goods	4,559,209	-	-
	6,560,493	5,935,428	3,015,516

	2012 RM	2011 RM
Recognised in profit or loss:-		
Inventories recognised in cost of sales	31,207,450	30,223,151
Inventories written down	147,600	108,696
Reversal of inventories written down	(78,455)	(81,966)

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

7. **TRADE RECEIVABLES**

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade receivables	17,103,416	16,452,097	15,086,017
Less: Allowance for impairment loss	(45,649)	(49,785)	(49,468)
	17,057,767	16,402,312	15,036,549

(a) The trade receivables are non interest bearing and the normal credit terms granted to the customers ranges from 30 to 120 days (31.12.2011 and 1.1.2011: 30 to 120 days).

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
US Dollar	292,540	171,224	57,065

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Neither past due nor impaired	7,412,906	9,752,147	4,174,031
Past due, not impaired			
Past due 1-30 days	2,739,871	2,399,862	3,289,756
Past due 31-60 days	2,949,420	2,216,671	1,972,036
Past due 61-90 days	1,640,530	954,221	2,300,854
Past due more than 90 days	2,315,040	1,079,411	3,299,872
	9,644,861	6,650,165	10,862,518
Past due and impaired	45,649	49,785	49,468
Gross trade receivables	17,103,416	16,452,097	15,086,017

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM9,644,861 (31.12.2011: RM6,650,165 and 1.1.2011: RM10,862,518) 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. These receivables are unsecured.

Receivables that are impaired

The Group's trade receivables that are past due and impaired at the end of reporting period are as follows:-

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade receivables, gross	45,649	49,785	49,468
Less : Allowance for impairment - Individually impaired	(45,649)	(49,785)	(49,468)
	-	-	-

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

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Brought forward	49,785	49,468	-
Charge for financial year/period	44	49,605	19,808
Impairment loss no longer required	(4,000)	(49,288)	(70,235)
Bad debts written off	(180)	-	-
From acquisition of subsidiary company	-	-	99,895
Carried forward	45,649	49,785	49,468

The impairment loss on trade receivables were reversed during the financial year as a result of subsequent receipts and written off of the amounts.

Trade receivables that are individually determined to be impaired at the reporting date relate to customers that have significant financial liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

8. **OTHER RECEIVABLES**

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Advance to suppliers	510,982	452,303	316,219
Deposits	31,505	20,140	168,322
Non-trade receivables	250	15,630	38,768
Prepayment	53,025	154,500	-
Prepayment for listing expenses	-	-	630,892
	595,762	642,573	1,154,201

		Company	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Deposits	1,000	1,000	-
Non-trade receivables	-	1,200	-
Prepayment	51,500	154,500	-
	52,500	156,700	-

In financial year ended 2010, included in Group's non-trade receivables is an amount of RM38,768 due from a company in which certain Directors have interest. The amount due is unsecured, bears no interest and repayable on demand.

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

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
US Dollar	475,078	151,101	244,454
EURO	-	271,388	-
Sterling Pound	29,754	-	29,765

9. **CASH AND BANK BALANCES**

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

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
US Dollar	14,150	125,287	-

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

10. **SHARE CAPITAL**

	Group and Company					
	31.12.2012 Unit	31.12.2012 RM	31.12.2011 Unit	31.12.2011 RM	1.1.2011 Unit	1.1.2011 RM
Authorised:						
Ordinary shares of RM1.00 each						
Creation at date of incorporation	-	-	-	-	100,000	100,000
Ordinary shares of RM0.10 each						
Brought forward	250,000,000	25,000,000	250,000,000	25,000,000		
Subdivision of shares	-	-	-	-	1,000,000	100,000
Created during the financial year/period	-	-	-	-	249,000,000	24,900,000
	250,000,000	25,000,000	250,000,000	25,000,000	250,000,000	25,000,000
Issued fully paid:						
Ordinary shares of RM1.00 each						
Issued at date of incorporation	-	-	-	-	2	2
Ordinary shares of RM0.10 each						
Brought forward	188,000,000	18,800,000	173,000,000	17,300,000	-	-
Subdivision of shares	-	-	-	-	20	2
Issued during the financial year/period	-	-	15,000,000	1,500,000	980	98
Issued of shares of acquired subsidiary company	-	-	-	-	172,999,000	17,299,900
	188,000,000	18,800,000	188,000,000	18,800,000	173,000,000	17,300,000

New ordinary shares during the prior financial year ranked pari passu in all respect with existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

11. SHARE PREMIUM

	Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Brought forward	2,690,914	-	-
Arising from issuance of shares for Initial Public Offering	-	3,000,000	-
Less: Listing expenses	-	(309,086)	-
Carried forward	2,690,914	2,690,914	-

12. FINANCE LEASE LIABILITIES

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Minimum lease payments			
- not later than 1 year	90,234	71,844	110,329
- later than 1 year but not later than 5 years	117,655	154,183	191,645
- more than 5 years	16,718	16,718	-
	224,607	242,745	301,974
Future finance charges on finance lease	(20,081)	(25,537)	(27,782)
Present value of finance lease liabilities	204,526	217,208	274,192
Present value of finance lease liabilities			
- not later than 1 year	79,150	60,994	97,603
- later than 1 year but not later than 5 years	109,804	140,643	176,589
- more than 5 years	15,572	15,571	-
	204,526	217,208	274,192

The effective interest rate of the above finance lease facility is 2.75% to 6.09% (31.12.2011 and 1.1.2011: 2.75% to 6.09%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

13. BORROWINGS

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Secured:-			
Non-current			
Term loan	2,815,137	3,324,343	3,050,316
Current			
Term loan	509,859	502,617	330,367
Bankers' acceptance	1,809,000	2,722,000	1,403,511
	2,318,859	3,224,617	1,733,878
Total borrowings	5,133,996	6,548,960	4,784,194

The above borrowings are secured by means of the following:-

i) letter of negative pledged;

ii) a legal charge over the Group's freehold land and building;

iii) joint and several guarantees by a shareholder, all the Directors of the Company and certain Directors of the subsidiary companies.

The term loan bears interest at rates of 9.10% (31.12.2011 and 1.1.2011: ranging from 7.55% to 8.80%) per annum and is repayable by 96 equal monthly installments commencing after the full release of the loan.

The bankers' acceptance of the Group bears interest at rates ranging from 4.41% to 5.02% (31.12.2011: 4.11% to 5.62% and 1.1.2011: 3.35% to 5.62%) per annum.

14. TRADE PAYABLES

The normal credit terms granted by the trade payables range from 30 to 60 days (31.12.2011 and 1.1.2011: 30 to 60 days).

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

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
US Dollar	528,059	446,171	-
Thai Baht	-	-	8,508

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

15. OTHER PAYABLES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Commission payables	758,743	645,397	721,052
Non-trade payables	302,350	254,974	1,094,383
Provision and accruals of expenses	1,260,406	1,042,040	840,820
Dividend payable	-	940,000	-
Amount due to non- controlling interests	-	-	6,715
	2,321,499	2,882,411	2,662,970

	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-trade payables	-	1,000	-
Provision and accruals of expenses	30,024	34,530	10,000
Dividend payable	-	940,000	-
	30,024	975,530	10,000

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

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Thai Baht	1,210	7,907	-
Singapore Dollar	2,656	290	8,508

16. BANK OVERDRAFT – SECURED

The bank overdraft bears interest at rates ranging from 6.30% to 6.60% (31.12.2011 and 1.1.2011: 5.50% to 6.75%) per annum and secured by the securities as disclosed in Note 13 to the financial statements.

17. INVESTMENT IN SUBSIDIARY COMPANY

	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost	17,299,900	17,299,900	17,299,900

Amount due from/to subsidiary companies is unsecured, bears no interest and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

17. **INVESTMENT IN SUBSIDIARY COMPANY (CONT'D)**

Details of the subsidiary companies are as follows:-

Name	Group's effective interest (%) 31.12.2012	(%) 31.12.2011	(%) 1.1.2011	Principal activities	Country of incorporation
Plon Synergy Group Sdn. Bhd.	100	100	100	Investment holding company	Malaysia
Subsidiary companies of Plon Synergy Group Sdn. Bhd.					
1. PeterLabs Sdn. Bhd.	100	100	100	Trading of animal health and nutrition products	Malaysia
2. Osmosis Nutriton Sdn. Bhd.	100	100	100	Manufacturing and distribution of animal health and nutrition products	Malaysia
3. OMS Resources Sdn. Bhd.	100	100	100	Trading of animal health and nutrition products	Malaysia
Subsidiary company of OMS Resources Sdn. Bhd.					
3.1 OMS Aquaculture Sdn. Bhd. (formerly known as OMS Laboratory Sdn. Bhd.)	70	70	70	Dormant	Malaysia
4. Biojava Sdn. Bhd.	52.5	52.5	52.5	Trading of soluble and liquid animal health and nutrition products and export activities	Malaysia

All the above subsidiary companies are audited by SJ Grant Thornton.

	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Amount due from subsidiary companies			
- Trade related	1,700,000	2,500,000	-
- Non-trade related	3,849,153	2,551,553	-
	5,549,153	5,051,553	-
Amount due to subsidiary company			
- Non-trade related	-	-	43,224

Amount due from/(to) subsidiary companies are unsecured, bear no interest and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Auditors' remuneration				
- current year provision	65,000	57,000	10,000	10,000
- underprovision in prior year	-	900	-	-
- others	21,600	59,700	5,000	46,200
Bank overdraft interest	29	31,185	-	-
Bad debts written off	-	123,653	-	-
Bankers' acceptance interest	73,639	112,959	-	-
Depreciation	823,621	569,051	-	-
Directors' remuneration				
- fee	96,000	96,000	96,000	96,000
- other emoluments	1,179,088	943,582	-	-
Rental expenses	72,000	184,050	-	-
Finance lease interest	10,699	12,956	-	-
Impairment loss on trade receivables	44	49,605	-	-
Inventories written down	147,600	108,696	-	-
(Gain)/Loss on disposal of property, plant and equipment	(80,200)	69,730	-	-
Term loan interest	150,986	162,978	-	-
Listing expenses	-	1,349,124	-	1,349,124
Property, plant and equipment written off	-	66,668	-	-
Bad debts recovered	(4,000)	(3,000)	-	-
Dividend income	-	-	(1,700,000)	(2,700,000)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

19. **PROFIT BEFORE TAX (CONT'D)**

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Impairment loss on trade receivables no longer required	(4,000)	(49,288)	-	-
Interest income	(3,367)	(1,834)	-	(1,834)
Realised gain on foreign exchange	(110,484)	(96,512)	-	-
Unrealised loss/(gain) on foreign exchange	-	(1,202)	-	-
Reversal of inventories written down	(78,455)	(81,966)	-	-

20. **TAX EXPENSE**

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Provision for the financial year	1,193,855	1,428,966	-	-
Transferred (from)/to deferred tax (assets)/ liabilities (Note 5)	(941,600)	305,700	-	-
Over provision of tax in prior year	(124,011)	(142,130)	-	-
Total tax expense	128,244	1,592,536	-	-

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

20. **TAX EXPENSE (CONT'D)**

The numerical reconciliation between the average effective tax rate and the statutory tax rate is as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	3,889,006	4,261,131	1,239,204	1,138,049
Tax at Malaysian statutory tax rate of 25%	972,252	1,065,283	309,801	284,512
Tax effects in respect of:-				
Expenses not deductible for tax purposes	253,938	690,187	115,199	390,488
Deferred tax liabilities over recognised in prior year	(14,000)	(8,381)	-	-
Deferred tax assets under recognised in prior year	(969,200)	-	-	-
Deferred tax assets not recognised	27,258	-	-	-
Income not subject to tax	(17,993)	(12,423)	(425,000)	(675,000)
Over provision of tax expense in prior year	(124,011)	(142,130)	-	-
Effective tax expense	128,244	1,592,536	-	-

The Group's unutilised capital allowances, unabsorbed business losses and unutilised reinvestment allowance which can be carried forward to offset against future taxable profit amounted to approximately RM938,000 (2011: RM568,500), RM109,000 (2011: Nil) and RM3,647,000 (2011: Nil) respectively.

The Malaysian Budget 2008 introduced a Single Tier Income Tax System with effect from year of assessment 2008 and the Company has elected to pay dividend under this provision.

However, the above amounts are subject to the acceptance of the Inland Revenue Board of Malaysia.

Deferred tax assets have not been recognised in respect of the following item:-

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unabsorbed business losses	109,000	-	-

Deferred tax asset have not been recognised in respect of this item as it has arisen in subsidiary company that has a recent history of losses.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

21. EARNINGS PER SHARE

Group

The basic earnings per share has been calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company of RM3,898,961 (2011: RM2,630,223) to the weighted average number of shares issued during the financial year of 188,000,000 (2011: 179,863,014).

There is no diluted loss per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

22. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Staff costs	5,169,309	3,991,825	-	-

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive Directors:-				
Other emoluments	1,179,088	943,582	-	-
Non-Executive Directors:-				
Directors' fee	96,000	96,000	96,000	96,000
Total remuneration	1,275,088	1,039,582	96,000	96,000

Group

Included in the employee benefits expense is defined contribution plan of RM443,649 (2011: RM394,793).

23. CONTINGENT LIABILITY

	Company	
	2012 RM	2011 RM
Unsecured:-		
Corporate guarantee given for banking facilities granted to subsidiary companies	1,154,000	-

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

24. **RELATED PARTY DISCLOSURES**

(a) The significant related party transactions during the financial year are as follows:-

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Rental expense paid to certain Directors	-	61,600	-	-
Rental expense paid to a Director from a subsidiary company	-	30,800	-	-
Dividend income received from subsidiary company	-	-	1,700,000	2,700,000

(b) The remuneration of key management personnel is same with Directors' remuneration as disclosed in Notes 19 and 22 to the financial statements. The Company has no other members of key management personnel apart from the Board of Directors.

(c) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 8 and 17 to the financial statements.

25. **CAPITAL COMMITMENTS**

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Authorised and contracted for:			
- Plant and machinery	-	-	279,120
Authorised but not contracted for:			
- Motor vehicle	99,721	-	-

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

26. **FINANCIAL INSTRUMENTS**

Risk management objectives and policies

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

The following sections explain key risks faced by the Group and its management. Financial assets and liabilities of the Group are summarised in Note 3.6.1 and 3.6.2 respectively.

(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.

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	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Classes of financial assets:-			
Cash and bank balances	1,657,745	2,520,305	1,449,308
Trade receivables	17,057,767	16,402,312	15,036,549
Other receivables	595,762	642,573	1,154,201
Carrying amount	19,311,274	19,565,190	17,640,058

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

Risk management objectives and policies (cont'd)

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

Exposure to credit risk (cont'd)

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 (cont'd):-

	Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Classes of financial assets:-			
Cash and bank balances	3,414	103,116	100
Other receivables	52,500	156,700	-
Amount due from subsidiary companies	5,549,153	5,051,553	-
Carrying amount	5,605,067	5,311,369	100

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.

Credit risk concentration

The Group determines concentration of credit risk by comparing the amounts due from each individual customer against the total receivables. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follow:-

	Group			
	2012		2011	
	RM	%	RM	%
Top 3 customers	4,254,168	25	5,743,163	35

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

Risk management objectives and policies (cont'd)

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

Financial assets that are either pass due or impaired

Information regarding financial assets that are either pass due or impaired is disclosed in Note 7 to the financial statements.

(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.

Analysis of financial instruments by remaining contractual maturities

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

31 December 2012

Group	**Current**	← **Non-current** →	
	Within 1 year RM	**2 to 5 years RM**	**More than 5 years RM**
Non-derivative financial liabilities			
Borrowings	2,368,560	2,238,240	746,080
Finance lease liabilities	90,234	117,655	16,718
Trade payables	1,734,860	-	-
Other payables	2,321,499	-	-
Total undiscounted financial liabilities	6,515,153	2,355,895	762,798
31 December 2012			
Company			
Non-derivative financial liabilities			
Other payables	30,024	-	-

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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 (cont'd)

The following financial liabilities of the Group and of the Company are subjected to liquidity risk (cont'd):-

31 December 2011

Group	Current	← Non-current →	
	Within 1 year RM	2 to 5 years RM	More than 5 years RM
Non-derivative financial liabilities			
Borrowings	3,095,040	2,238,240	1,865,200
Finance lease liabilities	71,844	154,183	16,718
Trade payables	2,636,685	-	-
Other payables	2,882,411	-	-
Bank overdraft	165,775	-	-
Total undiscounted financial liabilities	8,851,755	2 ,392,423	1,881,918
Company			
Non - derivative financial liabilities			
Other payables	975,530	-	-

1 January 2011

Group	Within 1 year RM	2 to 5 years RM	More than 5 years RM
Non-derivative financial liabilities			
Borrowings	1,776,551	2,238,240	1,865,200
Finance lease liabilities	110,329	191,645	-
Trade payables	3,087,975	-	-
Other payables	2,662,970	-	-
Bank overdraft	1,991,367	-	-
Total undiscounted financial liabilities	9,629,192	2,429,885	1,865,200

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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 (cont'd)

The following financial liabilities of the Group and of the Company are subjected to liquidity risk (cont'd):-

1 January 2011 (cont'd)

Company	Current	← Non-current →	
	Within 1 year RM	2 to 5 years RM	More than 5 years RM
Non-derivative financial liabilities			
Other payables	10,000	-	-
Amount due to subsidiary company	43,224	-	-
	53,224	-	-

(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 2012, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The exposure to interest rates for the Group's short term placement is considered immaterial.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

Risk management objectives and policies (cont'd)

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

Interest rate sensitivity analysis (cont'd)

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

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Fixed rate instruments			
Financial liabilities			
Bankers' acceptance	1,809,000	2,722,000	1,403,511
Finance lease liabilities	204,526	217,208	274,192
	2,013,526	2,939,208	1,677,703

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM	**RM**	**RM**
Floating rate instruments			
Financial liabilities			
Term loan	3,324,996	3,826,960	3,380,683
Bank overdraft	-	165,775	1,991,367
	3,324,996	3,992,735	5,372,050

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 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	
	2012	**2011**
	RM	**RM**
Effect on profit for the year		
+ 50bp	(16,625)	(19,964)
- 50bp	16,625	19,964

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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) and Stering Pound (GBP).

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

Group	USD RM	EUR RM	GBP RM	Others RM
31 December 2012				
Financial assets	781,768	-	29,754	-
Financial liabilities	(528,059)	-	-	(3,866)
Net exposure	253,709	-	29,754	(3,866)
	USD RM	**EUR RM**	**GBP RM**	**Others RM**
31 December 2011				
Financial assets	447,612	271,388	-	-
Financial liabilities	(446,171)	-	-	(8,197)
Net exposure	1,441	271,388	-	(8,197)
	USD RM	**EUR RM**	**GBP RM**	**Others RM**
1 January 2011				
Financial assets	301,519	-	29,765	-
Financial liabilities	(788,197)	-	-	(8,508)
Net exposure	(486,678)	-	29,765	(8,508)

Foreign currency sensitivity analysis

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

It assumes a +/- 3 % change of the RM/USD, RM/EUR, RM/GBP and RM/Others 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

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

Risk management objectives and policies (cont'd)

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

Foreign currency sensitivity analysis (cont'd)

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the RM had strengthened against the USD, EUR, GBP and others by 3% then this would be the impact:-

	Effect on profit for the year			
	USD RM	EUR RM	GBP RM	Others RM
31 December 2012	7,611	-	893	(116)
31 December 2011	43	8,142	-	(246)

If RM had weakened against the USD, EUR, GBP and others by 3% respectively then the impact to profit for the year would be the opposite effect.

Exposures to foreign exchange rates vary during the 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. **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 ended 31 December 2012, 31 December 2011 and 1 January 2011.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

27. CAPITAL MANAGEMENT (CONT'D)

The borrowings include finance lease creditors, term loan, bankers' acceptance and bank overdraft while owners' equity refers to the equity attributable to the owners of the Group.

	Group		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Interest bearing borrowings			
- Finance lease liabilities	204,526	217,208	274,192
- Bankers' acceptance	1,809,000	2,722,000	1,403,511
- Term loan	3,324,996	3,826,960	3,380,683
- Bank overdraft	-	165,775	1,991,367
Total interest bearing borrowings	5,338,522	6,931,943	7,049,753
Owners' equity	28,436,650	25,853,689	19,972,552
Gearing ratio	0.19	0.27	0.35

28. 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.

For non-derivative financial liabilities, the fair value, which is determined for disclosures purposes, 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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. 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	31.12.2012 %	31.12.2011 %	1.1.2011 %
Loans and borrowings	4.41 – 9.10	4.11-8.80	3.35-8.80
Finance lease liabilities	2.75 – 6.09	2.75-6.09	2.75-6.09
Bank overdrafts	6.30 – 6.60	5.50-6.75	5.50-6.75

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

29. **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.

Transfer prices between operating segments are on negotiated basis.

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
2012						
Revenue						
External revenue		1,257,433	44,846,196	-	-	46,103,629
Intersegment revenue	**A**	17,385,620	7,229,253	4,400,000	(29,014,873)	-
Total revenue		18,643,053	52,075,449	4,400,000	(29,014,873)	46,103,629
Results						
Interest income		363	3,004	-	-	3,367
Finance cost		(201,216)	(34,137)	-	-	(235,353)
Depreciation		(708,657)	(114,964)	-	-	(823,621)
Other non-cash income	**B**	(2,530)	17,541	-	-	15,011
Tax expense		(926,600)	1,054,844	-	-	128,244
Profit after tax		967,752	3,243,276	3,888,448	(4,338,714)	3,760,762
Assets						
Additions to non-current assets	**C**	301,979	33,195	-	-	335,174
Segment assets	**D**	13,041,618	23,724,610	1,524,162	(28,372)	38,262,018
Liabilities						
Segment liabilities	**E**	1,299,688	2,720,965	35,706	-	4,056,359

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

29. **OPERATING SEGMENTS - GROUP (CONT'D)**

	Note	Manufacturing RM	Trading RM	Others RM	Adjustments and eliminations RM	Total RM
2011						
Revenue						
External revenue		335,476	45,354,361	-	-	45,689,837
Intersegment revenue	A	19,083,156	5,805,745	5,200,000	(30,088,901)	-
Total revenue		19,418,632	51,160,106	5,200,000	(30,088,901)	45,689,837
Results						
Interest income		-	-	1,834	-	1,834
Finance cost		(265,692)	(40,862)	(13,524)	-	(320,078)
Depreciation		(468,613)	(100,438)	-	-	(569,051)
Other non-cash expenses	B	(135,598)	(151,500)	-	-	(287,098)
Tax expense		(246,276)	(1,346,260)	-	-	(1,592,536)
Profit after tax		711,336	3,547,358	3,602,817	(5,192,916)	2,668,595
Assets						
Additions to non-current assets	C	747,807	155,840	-	-	903,647
Segment assets	D	13,160,354	23,601,875	1,729,545	(89,658)	38,402,116
Liabilities						
Segment liabilities	E	2,829,452	1,708,432	981,212	-	5,519,096

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

	2012 RM	2011 RM
Bad debts written off	-	(123,653)
Inventories written down	(147,600)	(108,696)
Impairment loss on trade receivables	(44)	(49,605)
Gain/(Loss) on disposal of property, plant and equipment	80,200	(69,730)
Property, plant and equipment written off	-	(66,668)
Impairment loss on trade receivables no longer required	4,000	49,288
Reversal of inventories written down	78,455	81,966
	15,011	(287,098)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

29. **OPERATING SEGMENTS - GROUP (CONT'D)**

C.. Additions to non-current assets consist of:-

	2012 RM	2011 RM
Property, plant and equipment	226,674	688,264
Capital work-in-progress	108,500	215,383
	335,174	903,647

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

	2012 RM	2011 RM
Segment assets	38,262,018	38,402,116
Deferred tax assets	577,000	-
Tax recoverable	421,832	365,733
Total assets	39,260,850	38,767,849

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

	2012 RM	2011 RM
Segment liabilities	4,056,359	5,519,096
Deferred tax liabilities	-	364,600
Finance lease liabilities	204,526	217,208
Bank borrowings	5,133,996	6,548,960
Bank overdraft	-	165,775
Tax payable	189,869	60,147
Total assets	9,584,750	12,875,786

Geographical segment

Financial information by geographical segment is not presented as the Group's activities are conducted principally in Malaysia.

Major customers

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

	2012		2011	
	RM	%	RM	%
1 customer	2,898,980	17	4,169,955	25

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

30. **SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, an interim single tier dividend in respect of the financial year ended 31 December 2012, of 0.7% tax exempt on 188,000,000 ordinary shares, amounting to RM1,316,000 had been declared and paid on 29 March 2013. This declared dividend is not reflected in the current year's financial statements. Such dividend will be accounted for in shareholders' equity as an appropriation of unappropriated profit in the financial year ending 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2012 (CONT'D)

31. **DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)**

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 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:-

Total unappropriated profits of the Company and its subsidiaries:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
- Realised	18,366,432	18,153,596	1,384,029	144,825
- Unrealised	577,000	(363,398)	-	-
	18,943,432	17,790,198	1,384,029	144,825
Consolidation adjustments	(10,681,696)	(13,427,423)	-	-
	8,261,736	4,362,775	1,384,029	144,825

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 15 APRIL 2013

SHARE CAPITAL

Authorised Share Capital	:	RM25,000,000 divided into 250,000,000 ordinary shares of RM0.10 each
Issued and Fully Paid-up Capital	:	RM18,800,000 divided into 188,000,000 ordinary shares of RM0.10 each
Class of Shares	:	Ordinary shares of RM0.10 each
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
9	Less than 100	666	*
77	100 to 1,000	61,400	0.03
365	1,001 to 10,000	2,445,600	1.3
530	10,001 to 100,000	20,482,097	10.89
129	100,001 to less than 5 % of issued shares	102,058,516	54.29
3	5% and above of the issued shares	62,951,721	33.49
1,113	**TOTAL**	**188,000,000**	**100**

** 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	13.60
2.	Lim Tong Seng	18,943,238	10.08
3.	Teo Kooi Cheng	18,443,238	9.81
4.	Lau Yeng Khuan	7,900,645	4.20
5.	Kho Siaw Sua	7,900,000	4.20
6.	Chan Bee Chuan	7,900,000	4.20
7.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Yap Kee Hor*	6,799,200	3.62
8.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Swee Hwa*	4,697,050	2.50
9.	Ng Chew Kee	4,470,200	2.38
10.	M & A Nominees (Asing) Sdn Bhd *Sanston Financial Group Limited for Avestra Asset Management Limited*	3,314,500	1.76
11.	Public Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siah Tian Yee*	3,035,200	1.61
12.	Ng Chew Kee	3,000,000	1.60

ANALYSIS OF SHAREHOLDINGS
AS AT 15 APRIL 2013 (CONT'D)

	Name of Shareholders	No. of Shares Held	Percentage (%)
13.	Chong Pow Choo	2,605,700	1.39
14.	Quah Lake Jen	2,491,400	1.33
15.	Staling Tie Ling	1,620,000	0.86
16.	Eng Ah Hong	1,544,400	0.82
17.	Chan Bee Chuan	1,500,000	0.80
18.	Hii Lay Yieng	1,220,000	0.65
19.	Ang Teck Chee	1,200,000	0.64
20.	Maybank Nominees (Tempatan) Sdn Bhd *Lim Kah Eng*	1,195,600	0.64
21.	Tan Siew Bee	1,116,300	0.59
22.	Ong Kah Huat	1,100,000	0.59
23.	Chia Bee Yoong	1,050,000	0.56
24.	Goh Khee Teck	1,000,000	0.53
25.	Wong Wah Peng	1,000,000	0.53
26.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Low Keng Kok*	1,000,000	0.53
27.	Goh Soo Chian	1,000,000	0.53
28.	Lau Yeng Khuan	1,000,000	0.53
29.	Kho Siaw Sua	1,000,000	0.53
30.	Yap Lee Hsia	964,864	0.51
	TOTAL	135,576,780	72.12

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	13.60	-	-
2.	Lim Teng Seng	18,943,238	10.08	-	-
3.	Teo Kooi Cheng	19,033,238	10.12	-	-
4.	Chan Bee Chuan	9,400,000	5.00	-	-

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

		NO. OF SHARES HELD			
	NAME OF DIRECTORS	DIRECT	%	INDIRECT	%
1.	Dato' Hon Choon Kim	-	-	*100,000	0.05
2.	Teo Chin Heng	25,565,245	13.60	-	-
3.	Lim Teng Seng	18,943,238	10.08	-	-
4.	Teo Kooi Cheng	19,033,238	10.12	-	-
5.	Lau Yeng Khuan	8,900,645	4.73	-	-

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

LIST OF PROPERTIES
As at 31 December 2012

Title No. /Location	Tenure	Land Area / Build-Up Area (Sq. Ft.)	Description	Approximate Age of Building	Net Book Value (RM'000)	Date of acquisition
GRN 212756 / Lot 16014 (PT No.24341), Jalan Nilam 3, Bandar Nilai Utama, 71800 Nilai, Negeri Sembilan.	Freehold	141,276 / 52,474	Industrial land erected upon with building which consists of 1 storey factory/ warehouse and attached with 3 storey office area which houses the Group's manufacturing plant and office.	2 year	7,120	22 April 2008

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting ('3rd AGM') of **PETERLABS HOLDINGS BERHAD** will be held at Springs 1, Nilai Springs Resort Hotel, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Wednesday, 12 June 2013 at 10.00 a.m.** for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2012 and the Directors' and Auditors' Reports thereon. **(Ordinary Resolution 1)**

2. To approve the payment of Directors' fees of RM96,000 in respect of the financial year ended 31 December 2012. **(Ordinary Resolution 2)**

3. To re-elect the following Directors who retire by rotation pursuant to Article 90 of the Company's Articles of Association and being eligible, offer themselves for re-election:

   (i) Teo Chin Heng **(Ordinary Resolution 3)**
   (ii) Lau Yeng Khuan **(Ordinary Resolution 4)**

4. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129(6) of the Companies Act, 1965: **(Ordinary Resolution 5)**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Dr. Vijaya Raghavan a/l M P Nair who is over the age of 70 years and retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company."

5. To re-appoint Messrs SJ Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS

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

6. **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

   "THAT, pursuant to Section 132D of the Companies Act, 1965 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 7)**

NOTICE OF ANNUAL GENERAL MEETING(CONT'D)

7. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 1965.

By Order of the Board
PETERLABS HOLDINGS BERHAD

WONG KEO ROU (MAICSA 7021435)
Company Secretary

Kuala Lumpur
21 May 2013

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 and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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 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 5 June 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 3rd Annual General Meeting.

Explanatory Notes on Special Business

Ordinary Resolution 7 – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the best interest of the Company ("Share Mandate"). This Share Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company. The Share Mandate sought for issue of shares is a renewal Share Mandate.

As at the date of this Notice, no shares had been issued and allotted since the Share Mandate granted to the Directors at the last Annual General Meeting held on 19 June 2012 and this authority will lapse at the conclusion of the 3rd Annual General Meeting of the Company.

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

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

PROXY FORM

No. of Shares Held

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

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

of ……
(FULL ADDRESS)

being a member/members of **PETERLABS HOLDINGS BERHAD (909720-W)**, 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 Third Annual General Meeting of the Company to be held at Springs 1, Nilai Springs Resort Hotel, PT4770, Nilai Springs, 71800 Putra Nilai, Negeri Sembilan on **Wednesday, 12 June 2013 at 10.00 a.m.** and at any adjournment there of.

	ORDINARY RESOLUTION	FOR	AGAINST
1.	Receive the Audited Financial Statements and Directors' and Auditors' Reports		
2.	Payment of Directors' Fees		
3.	Re-election of Mr Teo Chin Heng		
4.	Re-election of Mr Lau Yeng Khuan		
5.	Re-appointment of Dr. Vijaya Raghavan a/l M P Nair		
6.	Re-appointment of Auditors		
7.	Authority to issue shares under Section 132D of the Companies Act, 1965		

(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 ……………………….. 2013.

………………………………………
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 and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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 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 5 June 2013 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 3rd Annual General Meeting.

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AFFIX
STAMP

The Company Secretary
PETERLABS HOLDINGS BERHAD (909720-W)
10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

FOLD THIS FLAP FOR SEALING